



EXPEDITE COMPLETION FOR THE MATURING PROJECTS

加速邁進 彰顯成果

SHUI ON LAND LIMITED
ANNUAL REPORT 2009

Stock code 272



Across China from Foshan in the south to Dalian in the north and Shanghai in the east to Chongqing in the west, Shui On Land builds sustainable communities through preserving the cultural and architectural heritage while injecting modern functionality, and protecting the environment, to complement the cities' economic and social development plans and fulfill the needs of our users.

We are committed to becoming an integral part of the communities concerned, we care and we share.

SHANGHAI

Shui On Land's projects in Shanghai, China's leading commercial and financial centre, include the Taipingqiao redevelopment, which blends the architecture and charm of old Shanghai with modern facilities to create an integrated community.

DALIAN

Dalian Tiandi is an integrated development comprising a world-class software hub, commercial and retail properties, residential, educational, outdoor recreation and environmental facilities.

CHONGQING

Chongqing Tiandi, a city-core project adjacent to the central business district of Chongqing, is supporting the city's development into a commercial and financial hub in Western China.

FOSHAN

To facilitate Foshan's sustainable development, our project aims to preserve Foshan's heritage as the hometown of Cantonese opera, pottery, martial arts and authentic Chinese food, blending it with fashionable elements and modern facilities.

WUHAN

Situated on the Yangtze River with an unrivalled view of scenic Jiangtan Park, our Wuhan Tiandi project includes the renewal of historical buildings to preserve their traditional architecture while injecting new life into them.

HANGZHOU

Xihu Tiandi is a leisure and lifestyle redevelopment situated beside Hangzhou's celebrated West Lake, one of China's most famous areas of natural beauty. It draws inspiration from the local Jiangnan architectural style and lush green environment.





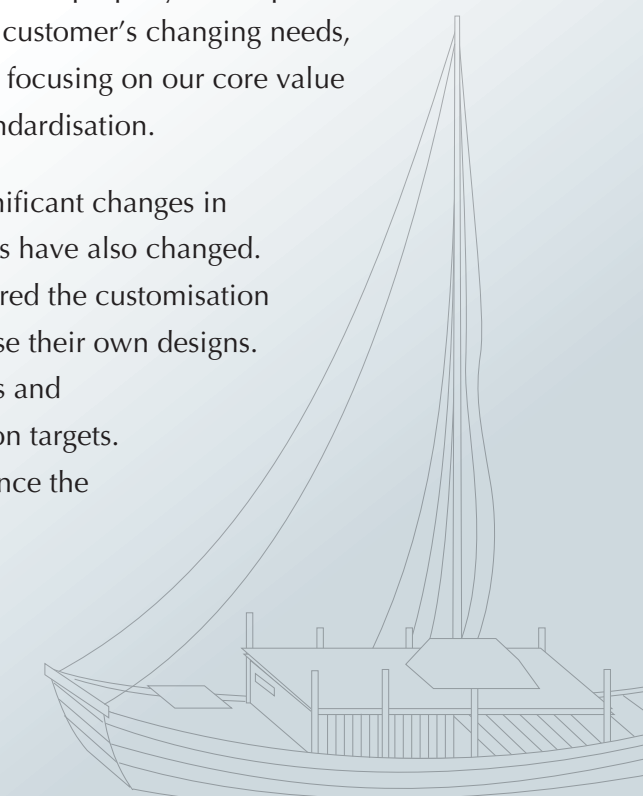
INNOVATIVE PROPERTY DEVELOPER IN CHINA

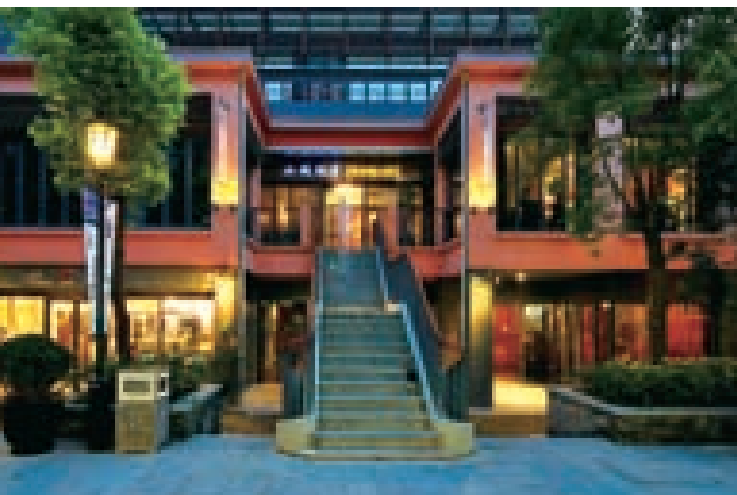
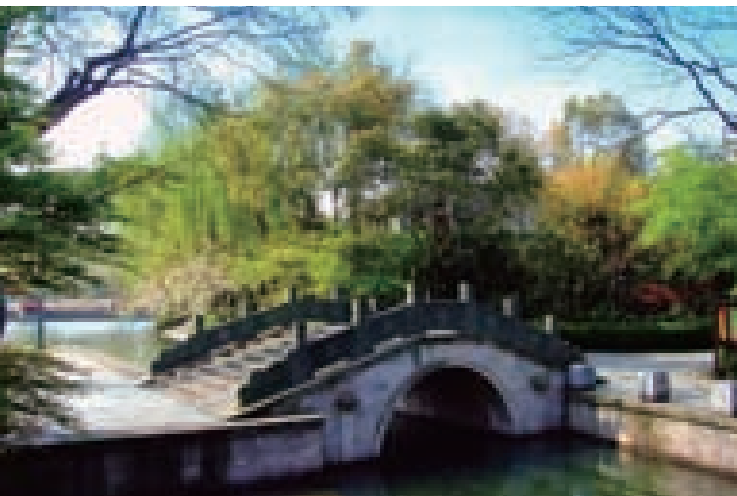
A PIONEER IN CUSTOMISATION TO FULFILL CUSTOMERS' NEEDS

Shui On Land is one of China's most visionary and innovative property developers. To meet the rapid growth of housing demand and of our customer's changing needs, we are accelerating the completion of our projects while focusing on our core value of innovation by introducing both customisation and standardisation.

The structure of social and family life has undergone significant changes in recent years and the needs and lifestyles of our customers have also changed. To cater to these individual preferences, we have pioneered the customisation of floor plans and materials, allowing customers to choose their own designs. We have also introduced the standardisation of unit sizes and construction materials to meet our accelerated completion targets. These combined strategies have not only helped to enhance the flexibility and functionality of our products, but also to conserve the use of the earth's resources.

In this, as in all our aspects of our business, we remain market leaders.





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We sustain our vision by integrating quality into all of our operations and aspiring to world-class standards of excellence in management, planning, execution and corporate governance.

OUR COMMITMENT TO

Investors	We are committed to providing attractive and sustainable returns for our investors based on a well-planned, long-term growth trajectory and strategic direction.
Customers	The expectations of our customers are always at the forefront of our thinking and planning, enabling us to provide high quality and add value to all our projects.
Community	We continually look for innovative ways to build and contribute to the community.
Environment	As an experienced and socially responsible property developer, Shui On Land considers respect for the environment to be a key ingredient for the long-term development of the communities in which we are involved.
Employees	Shui On Land believes that care for our employees and for the development of their talents is crucial to the long-term success of the Company.



MINDFUL PLANNING, DECISIVE MOVES

The robustness of our business performance reflects the maturing of our pioneering projects in our chosen locations right across China and our decisive refocusing of strategic goals and company structure under the Three-Year Plan launched in 2009.





FINANCIAL HIGHLIGHTS

OPERATING RESULTS For the Year Ended 31 December

	2009	2008 (Restated)	2009	2008 (Restated)
	HK\$'million	HK\$'million	RMB'million	RMB'million
Turnover	7,670	2,289	6,758	2,066
Represented by:				
Property development	6,898	1,605	6,078	1,449
Property investment	730	657	643	593
Others	42	27	37	24
Gross profit	4,005	1,150	3,529	1,038
Profit attributable to shareholders	3,034	1,992	2,673	1,798
Underlying profit attributable to shareholders*	1,911	1,697	1,684	1,532
Basic earnings per share	HK\$0.63	HK\$0.43	RMB0.55	RMB0.39
Dividend per share				
Interim paid	HK\$0.01	HK\$0.07	HK\$0.01	HK\$0.07
Proposed final	HK\$0.12	HK\$0.01 [#]	HK\$0.12	HK\$0.01 [#]
Full year	HK\$0.13	HK\$0.08	HK\$0.13	HK\$0.08

Note:

Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange of RMB1.000 to HK\$1.135 for 2009 and RMB1.000 to HK\$1.108 for 2008, being the average exchange rates that prevailed during the respective years.

FINANCIAL POSITION As of 31 December

	2009	2008 (Restated)
	RMB'million	RMB'million
Total cash and bank balances	4,947	3,380
Total assets	42,592	35,915
Shareholders' equity	21,579	16,863

FINANCIAL RATIO As of 31 December

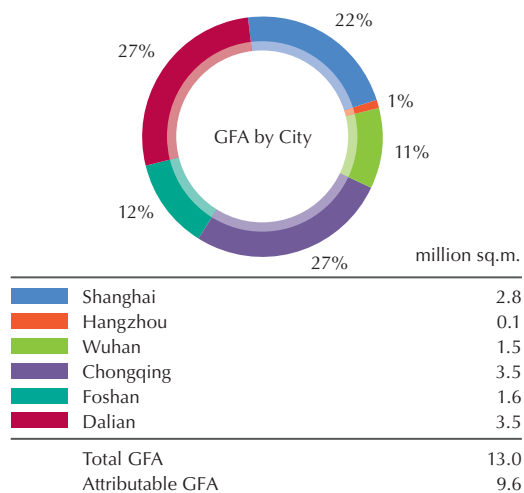
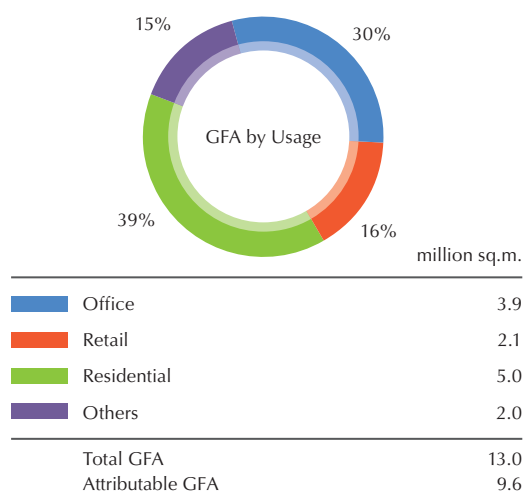
	2009	2008 (Restated)
Current ratio (times)	2.0	1.9
Net gearing ratio [^]	23%	27%

* Derived after excluding the effect of revaluation of investment properties and fair value adjustment on derivative financial instruments.

In addition, a bonus issue of shares on the basis of one new share for every ten shares held.

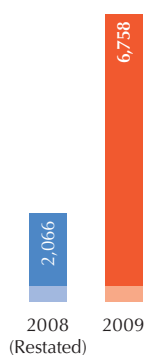
[^] Calculated on the basis of dividing the excess of the sum of bank loans over the sum of bank balances and cash by total equity.

LANDBANK As of 31 December 2009



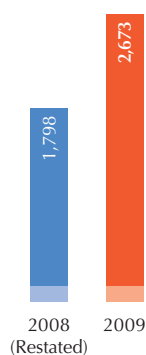
TURNOVER

(RMB'million)



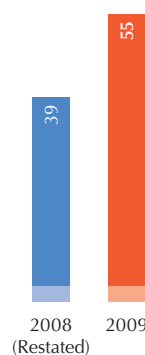
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB'million)



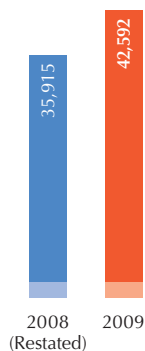
BASIC EARNINGS PER SHARE

(RMB/share)



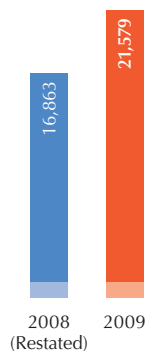
TOTAL ASSETS

(RMB'million)



SHAREHOLDERS' EQUITY

(RMB'million)



NET GEARING RATIO[^]

(%)





Vincent H. S. LO
Chairman & Chief Executive Officer

CHAIRMAN'S STATEMENT

“ Having completed initial infrastructure construction in most of our developments, we are at a stage in our growth when our projects are steadily maturing and our investments are reaping rewards. ”

THE ROAD TRAVELLED, 2009

With every storm comes a silver lining that brings new opportunities. So it was during the 2009 global financial crisis. It helped that the world economy began to recover in the second half of 2009 and the Chinese economy continued to grow from strength to strength over each quarter. Our resilience in the face of worldwide economic challenges paralleled that of China. By the last quarter of 2009, China's economy had reclaimed its pre-crisis level of GDP growth of 10.7%. In clear sight and within reach was a new plateau as the world's second largest economy.

The strength of the China property market mirrored the overall rebound, with further support from the Chinese Government's stimulus measures. Residential transactions increased by 35.6% to 804 million sq.m. in 2009, while nationwide residential sales jumped 80.0% to RMB3.8 trillion, fuelling a 32.7% rise in the average housing price.

Against the tumultuous backdrop of 2009, I am pleased to report that for the year ended 31 December 2009, we achieved a turnover of RMB6,758 million or HK\$7,670 million. Our profit attributable to shareholders was RMB2,673 million or HK\$3,034 million while our underlying profit attributable to shareholders, excluding the revaluation of investment properties and fair-value adjustment on derivative financial instruments, was RMB1,684 million or HK\$1,911 million, representing respective increase of 49% and 10% over 2008. Basic earnings per share were RMB0.55 or HK\$0.63. In addition to the given interim dividend of HK\$0.01, your Directors have proposed a final dividend of HK\$0.12 per share for the

year 2009. Shareholders will be given the option to receive the final dividend in new shares in lieu of cash.*

MATURING PROJECTS, RISING SALES

Having completed initial infrastructure construction in most of our developments, we are at a stage in our growth when our projects are steadily maturing and our investments are reaping rewards. Our high quality premises located in thriving city locations together with our integrated, 'Live-Work-Play', master-planned communities, introduced an exclusive and winning combination to China. The response was overwhelmingly favourable. Our projects achieved strong sales and premium price levels, and even outperformed those of our competitors in certain areas, despite the difficulties presented by the 2009 economic downturn. A detailed account of the business results is contained in the following MD&A section.

In Phase 3 of our deluxe Taipingqiao, Shanghai residential project, Casa Lakeville, a total of 292 units amounted to a total GFA of 44,300 sq.m. with contracted sales of RMB2,965 million and average sales price reaching RMB70,500 per sq.m.. We also achieved dynamic results at our Chongqing Tiandi residential development. During 2009, the contracted area of The Riviera Phase 1 reached 81,700 sq.m., a dramatic increase over the 13,600 sq.m. contracted area recorded in 2008. The residential development at Wuhan Tiandi, The Riverview, was warmly received by the Wuhan market. Sales reflected a remarkable market growth following enhancement of the neighbourhood and surrounding infrastructure.

* Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK\$1.135 for 2009 and RMB1.000 to HK\$1.108 for 2008, being the average exchange rates that prevailed during the respective years.

ACCELERATING FOR SUSTAINABLE GROWTH

Prudence dictates that in the wake of the global financial crisis, we review the challenges that we faced, and strengthen our operation and risk management as deemed appropriate to ensure sustainable growth. Accordingly, we have developed and are now implementing a Three-Year Plan (2009-2012) to maintain a closer balance between value creation for the longer term and cash generation in the short to medium term.

Our prime land bank in China is a major advantage for our development plans going forward. Our total buildable Gross Floor Area (GFA) of 13.0 million sq.m. in six cities, constitutes a portfolio of considerable potential. Accordingly, the cornerstone of our Three-Year Plan is to expedite the development completion of this portfolio. Our development target is a minimum of 1 million sq.m. of GFA by 2012. We aim to increase the completion rate consistently and continuously each subsequent year. In 2009, we began the process by accelerating the development of several existing projects to generate greater cash inflow. These projects included Casa Lakeville, Rui Hong Xin Cheng (Rainbow City) and the Knowledge and Innovation Community (KIC) in Shanghai, as well as The Riverview in Wuhan Tiandi.

A further priority of our Plan is to decentralise decision making so that project teams have closer control of their projects. Those who best understand the local market should have greater authority to develop and manage their projects and to ensure their financial self-sufficiency. Cost control of operating expenses and manpower management are other key elements of our Plan. As we progress with our three-year initiative, we will also judiciously consider the merits of new expansion opportunities and projects.

STRENGTHENING CORPORATE GOVERNANCE

Prudent financial management is key to good corporate governance. In April 2009, we established a high-powered Finance Committee to meet regularly and to make recommendations to the Board on financial policies and planning. We also established a special asset monitoring task force to monitor and review our current property portfolio and to identify and dispose of any under-performing assets whose returns do not meet the investment criteria established by the Finance Committee.

We also effected several new appointments. The Group's Chief Financial Officer, Mr. Daniel Y. K. WAN was appointed to the Board. Mr. Freddy C. K. LEE was promoted to the position of Managing Director of Shui On Development, our principal subsidiary responsible for the operation and management of the Group, to head the implementation of our Three-Year Plan.

Our efforts to establish the highest international standards in both corporate governance and investor relations received recognition through a number of prestigious awards, including the "5th Corporate Governance Asia Recognition Award" from *Corporate Governance Asia* magazine and the "Outstanding China Property Award 2009" from *Hong Kong Economic Digest* magazine. In addition, our Annual Report 2008 won a "Citation for Design in the Best Annual Reports Awards 2009" organised by the *Hong Kong Management Association*, as well as a "Silver Award for Overall Annual Report" in the *International ARC Awards 2009*, the world's largest annual report competition.

“ We have developed and are now implementing a Three-Year Plan to maintain a closer balance between value creation for the longer term and cash generation in the short to medium term. ”

STRATEGIC PARTNERSHIPS, WINNING COMBINATIONS

As a leading developer in the Chinese Mainland, we are gratified by the confidence placed in us by the market, whose enthusiastic response to our products reflects recognition of the superior quality and premium value attached to our developments. Our success is enhanced through our cooperation with strategic partners who are themselves leading players in their own areas.

In July 2009, we signed a Memorandum of Understanding with Redevco to co-develop the commercial podium of Wuhan Tiandi Lots A1, A2 and A3. Redevco owns, manages and develops one of the biggest retail portfolios in Europe. We believe Redevco's expertise and experience in the retail industry will accelerate the development and strengthen the performance of Wuhan Tiandi.

We also continued to expand our strategic partnership with Winnington, with whom we worked together to re-position the Rui Hong Xin Cheng (Rainbow City) project. We anticipate project approval by the relevant authorities in the near future. When completed, this re-positioned project will create an exciting new landmark for Shanghai.

BUILDING SUSTAINABLE COMMUNITIES

As responsible developers, we sustain environmental, social and ecological responsibilities in our development plans and projects. Our 'Live-Work-Play' concept represents a holistic approach to the needs of our users and the values of the communities where our high quality developments are located. In addition to enhancing the quality of life, our approach addresses concerns about the local heritage and environment. Our master-planned projects complement government objectives for sustainable economic development while improving the quality of life of all who live and work in them.

From our parent, the Shui On Group, we have inherited close to 40 years' industry experience and dedication to Corporate Social Responsibility. Shui On Land is committed to the preservation of the environment and of architectural and cultural heritage. We were one of the first developers in China to embrace environmental concerns in our projects. In our developments, we aim for the highest certification of the US Leadership in Energy and Environmental Design (LEED) of the US Green Building Council. Our sustainability strategy remains our focus as we progress with our long-term plans for quality developments.

THE ROAD AHEAD, 2010

We have turned the page on 2009, and proceed to write an ambitious, new chapter in our history. The expectation is that China's economy will continue to grow substantially in 2010, a further feather in its cap following the 8.7% growth spurt of 2009. Despite the global financial crisis, the fundamental drivers of the economy remain in place, among them increasing urbanization, growing affluence and market reform. However, since late 2009, China has implemented a series of tightening measures, particularly in the housing sector, aimed at controlling the pace of price increase. These policies include accelerating the pace of development for auctioned land and ensuring adequate supply to meet housing demand, particularly in ordinary and welfare housing. Such measures are expected to slow price growth and help to restore a better balance of demand and supply for low- and mid-end housing. However, we are confident that the on-going demand for better quality residential and commercial properties will provide strong support for the further development of China's high-end property market and for our future business growth. On this basis, our outlook for 2010 is cautiously optimistic.

APPRECIATION

This year has been particularly active in the area of management and succession planning. I welcome our senior appointments. Our new management team has unfurled fresh ideas and invigorated our strategic thinking.

I would like to express my thanks and gratitude to Mr. Aloysius T. S. LEE, Managing Director – Commercial, who left the Group in December 2009. His efforts and contributions during his tenure are much appreciated.

The success of Shui On Land is built upon the support, trust and confidence of all our shareholders, our Directors and every member of the Shui On corporate family. As we navigate our way through the challenges of the year ahead, I am confident that the Group will continue to create value and benefits for all our stakeholders. From our perspective, the road ahead and our future look promising. Rest assured of our commitment to deliver fully on its potential and on our promises to you.



Vincent H. S. LO

Chairman & Chief Executive Officer

Hong Kong, 15 April 2010

MANAGEMENT CHAT ROOM

“ Our target is to develop 1 million sq.m. of GFA per annum from the year 2012. “Standardisation” and “Customisation” are our key strategies to meet our target. ”

Mr. Louis H. W. WONG – Managing Director (Project Management)
“Standardisation” and “Customisation”

Our projects in Wuhan, Foshan and Chongqing are maturing and are poised to contribute cash flow and profit to the Group. Our target is to develop 1 million sq.m. of GFA per annum from the year 2012. “Standardisation” and “Customisation” are our key strategies to meet our target.

Standardisation includes synchronising best practice, standards and the operating systems of project teams and centralising procurement, product design and layouts through formalised strategic partnerships with key architects, consultants, contractors and suppliers. We have set a target of 70% for construction materials purchased for our projects through centralised procurement systems. Such strategies have been in operation for the last three years and have proved to be effective. In addition, we have introduced an e-tendering system for procurement to further enhance operational efficiency. These initiatives have lowered production costs, streamlined procedures, and improved control of delivery timing and procedures. Standardisation of product design and layout plans has shortened the development cycle and construction time, enabling us to achieve set goals for the year.

In 2009, in order to provide better quality and differentiated products to end-users, we continued our premium customisation programme in certain key projects. For Phase III of Rui Hong Xin Cheng launched in 2009, we offered our customers a selection of interior designs based on different floor plans for approximately 20% of the units. These initiatives evoked a favourable market response. We continue to expand and promote such initiatives across our projects.

From left to right: Mr. Freddy C. K. LEE, Mr. Louis H. W. WONG,
Mr. Vincent H. S. LO, Mr. Daniel Y. K. WAN





“ Strong cash flow and a low gearing ratio provide us with more flexibility in capital management and allow us to meet the funding requirements of our Three-Year Plan. ”

Mr. Daniel Y. K. WAN – Managing Director & Chief Financial Officer
Prudent Financial Policy and Capital Management

The Group achieved excellent results in 2009, the centerpiece being record high property sales. Steady growth in rental income of our investment properties portfolio further enhanced our exceptional financial performance, improving the cash flow position and the capital structure of the Group.

Shanghai Casa Lakeville was the major contributor to our property sales in 2009 while the maturing projects in other cities such as Wuhan and Chongqing, have been accelerating rapidly. Contracted sales in Wuhan and Chongqing increased from RMB511 million in 2008 to RMB1,301 million in 2009. We anticipated that their contribution to our property sales will ascend the podium in the near future. In addition, rental income from our investment properties with increased space is also providing stable and recurrent income for the company. The rental income stream will continue to grow as more of our investment properties are completed in the coming years.

Strong cash flow and a low gearing ratio provide us with more flexibility in capital management and allow us to meet the funding requirements of our Three-Year Plan. In December 2009, we successfully concluded a HKD1 billion senior unsecured syndication loan with a group of international financial institutions, making us the first Chinese developer from Hong Kong to successfully enter the syndication market following the global financial crisis. Subsequently, we also secured HKD7,164 billion in bank loan facilities, which signaled strong support for our Group from the banking industry. We shall continue to steer a prudent financial course as we expand our business frontiers.

Strategic partnerships remain the Company's long-term business strategy to give synergy to our development projects. This strategy enables us to accelerate returns from our projects, to diversify our risks and to enhance cash flow. We continue to seek out compatible strategic partners as co-developers of projects in 2010 and beyond.

Mr. Freddy C. K. LEE – Managing Director (Shui On Development Limited)
Three-Year Plan, Decentralisation and Talent Management

In mid-2009, we introduced our Three-Year Plan targeting an increase in delivery of properties of a minimum GFA of 1 million sq.m. per annum, from 2012. Decentralisation is an initiative allowing greater autonomy for the project team to make timely, front line decisions about product development, construction management, sales and marketing, and leasing. The corporate head office retains responsibility for financial management and capital allocation, as well as formulation of corporate development strategies. Our projects are maturing, with a significant portion of the site area cleared and site formation completed. Project-based organisation is clearly more conducive to coping with the ever-increasing construction volume and product delivery, providing for faster cash flow in the coming years. To date, property under development has increased to over GFA3.2 million sq.m.. The decentralisation process and project-based organisation were implemented on 1 January 2010.

At Shui On Land, we value our talent. Our tailored training programmes, such as management cadet programme, functional executive programme, management trainee programme and graduate trainee programme, have served us well since we began developing them in 2000. These programmes have proved to be key to talent retention, nurturing leadership and developing careers, while enhancing the Company's overall management and execution capability. Our talent development programmes have produced more than 50 staff graduates to date, many of whom have been promoted to leadership roles in the Company. To accomplish the overall goals of our Three-Year Plan, we place strong emphasis on our Human Resources programmes. In 2009 we invested in a series of new talent development programmes in this context. Meanwhile, the Shui On Academy, which was established at the end of 2008, continues to play a pivotal role in organising and enhancing the vital area of personnel training.

“ Decentralisation is an initiative allowing greater autonomy for the project team to make timely, front line decision. ”

ACHIEVEMENT HIGHLIGHTS

Our corporate refocusing and reorganisation as well as the initiatives under our new Three-Year Plan have all contributed to the strengthening of our performance and our ability to sustain growth. Our continuous efforts in this direction were publicly recognised in a number of awards in 2009.

JANUARY

The Group received “The Best in Corporate Governance 2008 – Honourable Mentions (Hong Kong)” organised by *The Asset* magazine.



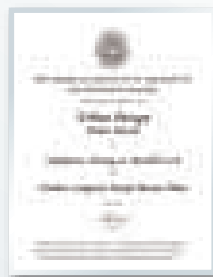
The master-plan of Wuhan Tiandi achieved LEED-Neighbourhood Development Pilot Version (Stage 2) Gold rating.

FEBRUARY

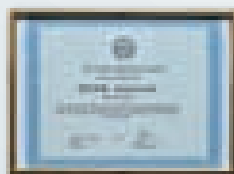
Wuhan Tiandi was awarded “Excellent Foreign Invested Enterprises in Fulfillment of Social Responsibility” by *Wuhan Municipal Government*.

MARCH

The master-plan of Foshan Lingnan Tiandi won the “Honour Award for Urban Design 2009” by *The American Institute of Architects San Francisco Chapter* and “Regeneration and Master Planning – Commended” by *MIPIM/Architectural Review Future Project Awards 2009*.



Wuhan Tiandi achieved pre-certification under LEED-Core & Shell Gold Level.



APRIL

The master-plan of the Foshan Lingnan Tiandi won the “Honour Award for Regional & Urban Design 2009” by *The American Institute of Architects*.

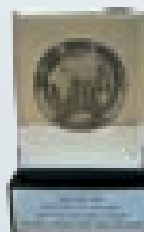


Chongqing Tiandi’s residential project – The Riviera – obtained the “Grade-AA Certification of Performance Assessment of Residential Buildings” by *Chongqing Municipal Commission of Development* (translated from Chinese).

MAY

The Group received “The Pioneering Company In Energy Saving And Emission Reduction 2008 In Luwan District” by *Luwan District Government, Shanghai* (translated from Chinese).

Foshan Lingnan Tiandi’s logo won the “Astrid Awards 2009 – Silver Award (Graphic Design Category)”.



The Group’s Brand Video – The Story of Shikumen – received “New York Festivals International Film & Video Awards 2009 – Silver World Medal”.

JUNE



The Group received the “5th Corporate Governance Asia Recognition Awards” presented by *Corporate Governance Asia* magazine.



The Group received the “Outstanding China Property Award 2009” by *Hong Kong Economic Digest* magazine. This was the second year running that the Group received these two awards.

JULY

The Group signed a strategic partnership with European retail real estate magnate Redevco to co-develop the shopping centre in Wuhan Tiandi commercial podium.

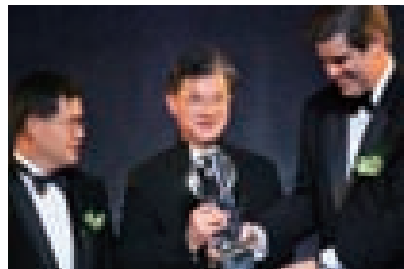


88 Xintiandi was awarded “2009 Asia Best Business Branding Hotel” from the 2009 Asia Hotel Leadership Summit.

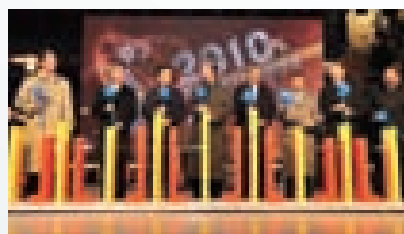
SEPTEMBER

The Group’s Annual Report 2008 received five awards at the *International ARC Awards 2009*: “Silver Award (Overall Annual Report – Real Estate Development / Services Category)”, “Silver Award (Interior Design – Real Estate Development / Services Category)”, “Bronze Award (Written Text – Real Estate Development / Services Category)”, “Bronze Award (Overall Annual Report – Property Category)”, “Honours (Cover Photo / Design – Property Category)”.

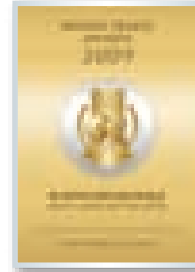
NOVEMBER



The Chairman has been honoured for his entrepreneurial endeavours with the world’s prestigious business award “Ernst & Young Entrepreneur Of The Year 2009” in the Real Estate Category, and also chosen as the “Ernst & Young Entrepreneur Of The Year 2009 China” country award winner among the 12 category winners.



Phase 1 to 3 commercial A4 parcel at Wuhan Tiandi completed.



88 Xintiandi was awarded the highest accolade of “China’s Leading Boutique Hotel” by *World Travel Awards 2009*.

The Group’s Annual Report 2008 won the “Honourable Mentions – Citation for Design of the 2009 Best Annual Reports Awards” presented by *Hong Kong Management Association*.



DECEMBER

The Riverview (Lots A7, A9) of Wuhan Tiandi received “Wuhan Excellence Residential Project Award” and “Technology Application and Architecture Energy Saving Award” for the year 2007-2008 (translated from Chinese).



INTERNATIONAL EXPERTISE, LOCAL KNOWLEDGE

We decentralised our decision making to local project teams that now have full control in developing and managing their projects. Their knowledge enables them to make timely decisions and effective choices so that our projects are not only of the highest quality but also financially self-sufficient.







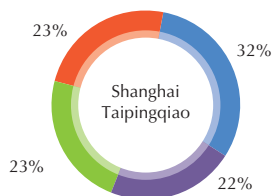
SHANGHAI TAIPINGQIAO PROJECT

Site location: The Taipingqiao project is located in the Luwan District, along with one of Shanghai's main commercial streets, Huai Hai Zhong Road. Metro Line no. 1, no. 8 and no. 10 are connecting the project to other parts of Shanghai, and Metro Line no. 13 which is now under construction will serve the community soon.

Master plan: The project is a large-scale city-core redevelopment project with an emphasis on the preservation and restoration of historic buildings and the establishment of an integrated community. It blends the chic architecture of "Old Shanghai" with modern features and amenities. The project consists of four main zones: historic restoration zone (Shanghai Xintiandi), corporate headquarters zone (Corporate Avenue), up-market residential zone (Lakeville Regency and Casa Lakeville), and a retail and theatre zone.

The following shows the usage mix of the project as of 31 December 2009 based on our master plan:

GFA by Usage



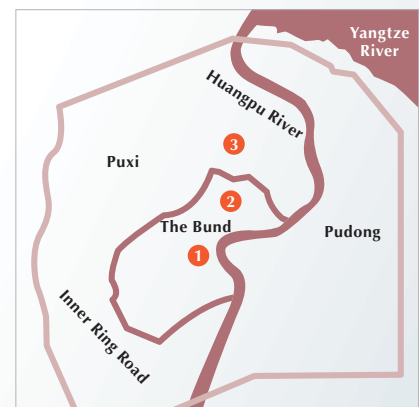
	sq.m.
Office	360,000
Retail	253,000
Residential	269,000
Hotel/Service Apartment/ Clubhouse/Carpark and other facilities	269,000
Total	1,151,000



Shanghai

Shanghai, as China's leading commercial and financial centre, is one of the largest economies among China's cities and is rapidly moving towards its long-term goal of becoming an international financial, economic, trading and shipping centre by 2020. By the end of 2009, 787 financial institutions, 260 multinational companies had set up their regional headquarters there and 304 research and development centres of overseas companies had been established in the city. In the run-up to the World Expo to be held in Shanghai in 2010, the government is upgrading city infrastructure with a total sum of RMB 97.8 billion invested in 2009.

GDP of Shanghai in 2009 was RMB 1.49 trillion in 2009. It has been particularly successful in attracting overseas investment, with US\$10.5 billion of foreign direct investment (FDI) being invested in 2009, or over 12% of the national total foreign direct investment. Resident population grew by 328,000 in 2009 as Shanghai continues to attract talent from across China and overseas. This influx of people is an important source of demand for housing.



- ① TAIPINGQIAO
- ② RUI HONG XIN CHENG
- ③ KNOWLEDGE AND INNOVATION COMMUNITY (KIC)



Shanghai Taipingqiao Redevelopment Project

MANAGEMENT DISCUSSION & ANALYSIS

Market Updates & Project Profiles

The table below shows the present development status of Shanghai Taipingqiao project as of 31 December 2009, which is subject to variation of future development plan:

Project	Approximate/Estimated leasable and saleable area					Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)			
Completed properties:								
Xintiandi	5,000	47,000	–	5,000	12,000	69,000	97.0%	67,000
Corporate Avenue	76,000	7,000	–	–	16,000	99,000	99.0%	98,000
The Lakeville	–	–	–	1,000	7,000	8,000	99.0%	8,000
Lakeville Regency	–	–	–	9,000	18,000	27,000	99.0%	27,000
Casa Lakeville (Tower 1, 2, 9-12)	–	–	6,000	1,000	1,000	8,000	99.0%	8,000
Subtotal	81,000	54,000	6,000	16,000	54,000	211,000		208,000
Properties under development:								
Casa Lakeville (Tower 3, 5-8)	–	29,000	7,000	2,000	34,000	72,000	99.0%	71,000
Lot 126	50,000	24,000	–	–	38,000	112,000	99.0%	111,000
Lot 127	55,000	28,000	–	–	43,000	126,000	99.0%	125,000
Subtotal	105,000	81,000	7,000	2,000	115,000	310,000		307,000
Properties for future development:								
Subtotal	174,000	118,000	256,000	38,000	44,000	630,000	99.0%	580,000
Total	360,000	253,000	269,000	56,000	213,000	1,151,000		1,095,000

* The Group has a 99.0% interest in all the remaining Lots, except for Lot 116, in which we have a 50.0% effective interest after sale of a 49.0% interest to a strategic partner in 2007.



The premium office properties "Corporate Avenue" adjacent to Shanghai Xintiandi

Luwan District, Shanghai

Luwan District is located at the heart of the Shanghai's Central Business District with well-developed transportation network, has a vibrant services sector and clusters of multinational companies and financial institutions. There are more than 100 national heritage sites and buildings within the Luwan District, e.g. the First Congress Hall of the Communist Party of China, the former home of Premier Zhou Enlai, and the former home of Dr. Sun Yatsen.



1&2: Day and night views of Shanghai Xintiandi



SHANGHAI RUI HONG XING CHENG



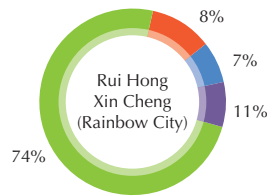
Site location: The Rui Hong Xin Cheng project is located at HongKou District is connected by Metro Line no. 4, no. 8 and no. 10. to other districts of Shanghai. Xin Jian Road cross river tunnel connected the district to the renowned Lujiazui financial district.

Master plan: The project was designed with a view to improving the urban environment and enhancing living standard for the residents. The project aims to redevelop the existing residential neighborhoods into an upper-middle class community completed with modern amenities such as shopping centres, clubhouses, offices and schools.

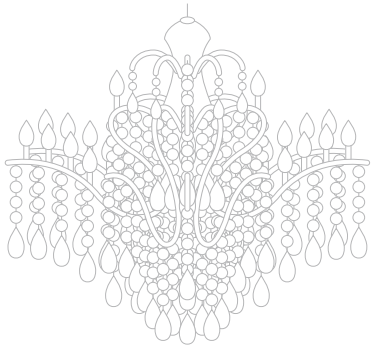


The following shows the usage mix of the project as of 31 December 2009 based on our master plan:

GFA by Usage



	sq.m.
Office	85,000
Retail	130,000
Residential	858,000
Hotel/Service Apartment/ Clubhouse/Carpark and other facilities	91,000
Total	1,164,000



The table below shows the present development status of Shanghai Rui Hong Xin Cheng project as of 31 December 2009, which is subject to variation of future development plan:

Project	Approximate/Estimated leasable and saleable area					Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)			
Completed properties:								
RHXC Phase 1	–	5,000	–	3,000	6,000	14,000	75.0%	11,000
RHXC Phase 2	–	28,000	–	5,000	15,000	48,000	74.3%	36,000
Subtotal	–	33,000	–	8,000	21,000	62,000		47,000
Properties under development:								
RHXC Phase 3 Lot 8	–	2,000	31,000	1,000	10,000	44,000	74.3%	33,000
RHXC Phase 3 Lot 4	–	12,000	62,000	2,000	31,000	107,000	74.3%	79,000
RHXC Phase 3 Lot 6	–	–	126,000	4,000	1,000	131,000	74.3%	97,000
Subtotal	–	14,000	219,000	7,000	42,000	282,000		209,000
Properties for future development:								
Subtotal	85,000	83,000	639,000	–	13,000	820,000	74.3%	608,000
Total	85,000	130,000	858,000	15,000	76,000	1,164,000		864,000

Hongkou District, Shanghai

Hongkou District is situated in downtown Shanghai, adjacent to The North Bund and North Sichuan Road. They are well-known traditional commercial districts in Shanghai, and is currently transforming into a bustling modern retail and entertainment area. The river bund of Hongkou District, which is earmarked as a major development hub for shipping and logistics services in Shanghai, is host to more than 2,000 shipping and logistics companies.



Rui Hong Xin Cheng Phase 2



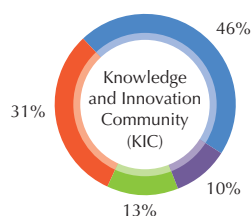
SHANGHAI KNOWLEDGE AND INNOVATION COMMUNITY

Site location: The Knowledge & Innovation Community project is located in the immediate vicinity of the major universities and colleges in the Yangpu district northeast of uptown Shanghai. The project is well connected to the city centre by public transportation network with the Mid-Ring Highway, over 30 public transportation routes and three metro lines, namely Metro Lines 3, 8 and 10.

Master plan: The project is designed to be a multi-functional community for people to study, live, work and engage in leisure activities. We, therefore, through the project, intend to transform Yangpu from an industrial and manufacturing zone to a knowledge and innovation centre by drawing on the readily available education and human resources in the vicinity and by creating an environment that we believe will foster education, technology, culture, research and business incubation, growth and development.

The following shows the usage mix of the project as of 31 December 2009 based on our master plan:

GFA by Usage



	sq.m.
Office	246,000
Retail	54,000
Residential	71,000
Hotel/Service Apartment/ Clubhouse/Carpark and other facilities	166,000
Total	537,000



The table below shows the present development status of Shanghai Knowledge and Innovation Community project as of 31 December 2009, which is subject to variation of future development plan:

Project	Approximate/Estimated leasable and saleable area					Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)			
Completed properties:								
KIC Village R1	9,000	7,000	–	–	28,000	44,000	86.8%*	38,000
KIC Plaza Phase 1	29,000	23,000	–	–	24,000	76,000	86.8%*	66,000
KIC Village R2 (Lots 7-9, 8-2)	22,000	4,000	1,000	–	14,000	41,000	86.8%*	36,000
Subtotal	60,000	34,000	1,000	–	66,000	161,000		140,000
Properties under development:								
C2 (Lots 5-5, 5-7, 5-8)	41,000	12,000	–	–	28,000	81,000	86.8%*	70,000
KIC Village R2 (Lots 7-7)	8,000	1,000	22,000	4,000	18,000	53,000	86.8%*	46,000
KIC Plaza Phase 2	43,000	7,000	–	–	31,000	81,000	86.8%*	70,000
Subtotal	92,000	20,000	22,000	4,000	77,000	215,000		186,000
Properties for future development:								
Subtotal	94,000	–	48,000	19,000	–	161,000	99.0%	160,000
Total	246,000	54,000	71,000	23,000	143,000	537,000		486,000

* Agreement has been reached to increase our interest from 70.0% to 86.8%, subject to completion of the capital injection



KIC Plaza

Yangpu District, Shanghai

Yangpu District is located at northeast uptown of Shanghai, adjacent to the Hongkou District. The centre of the district, the Wujiaochang area, is designated by the Shanghai Municipal Government as one of the city's four urban sub-centres. It is transformed into a knowledge industry and support services hub to complement Shanghai's overall development strategy of becoming the service centre of China. The district is also home to 17 universities and colleges, 22 key state laboratories and 15 scientific research institutes, which gives her unparalleled competitive advantages for becoming the intellectual hub of Shanghai.



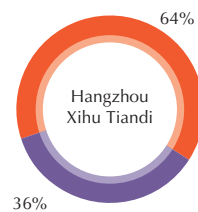
HANGZHOU XIHU TIANDI

Site location: The Xihu Tiandi project is located in the southern edge of the scenic West Lake (or Xihu) and in the prime shopping area of Shangcheng District.

Master plan: The project is a mixed-use retail, F&B and entertainment development comprising two phases. Phase I, with fine restaurants, cafes, retail shops and entertainment outlets on the park, was completed in April 2003. Phase II is a mixed-use retail, F&B and entertainment development. This historic restoration project is intended to offer a blend of traditional and modern architecture, providing a unique experience for visitors.

The following shows the usage mix of the project as of 31 December 2009 based on our master plan:

GFA by Usage



	sq.m.
■ Retail	48,000
■ Hotel/Service Apartment/ Clubhouse/Carpark and other facilities	27,000
Total	75,000



The table below shows the present development status of Hangzhou Xihu Tiandi project as of 31 December 2009, which is subject to variation of future development plan:

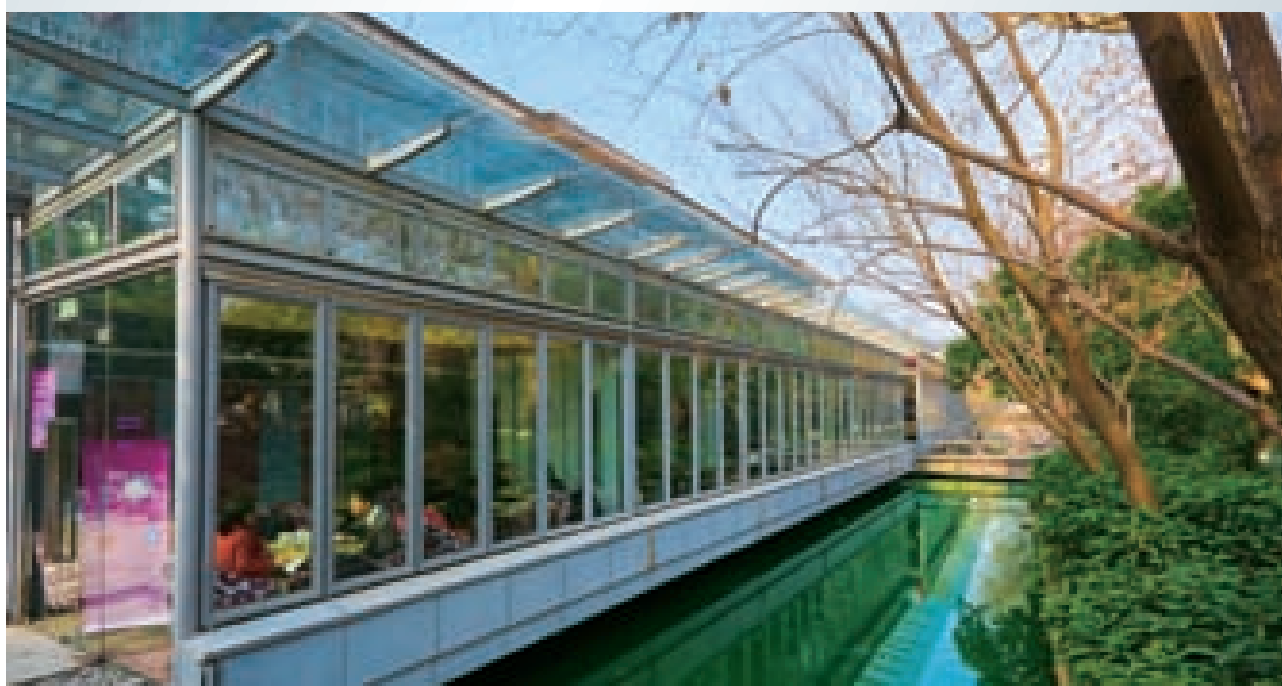
Project	Approximate/Estimated leasable and saleable area					Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)			
Completed properties:								
Hangzhou Xihu Tiandi, Phase 1	-	6,000	-	-	-	6,000	100%	6,000
Subtotal	-	6,000	-	-	-	6,000		6,000
Properties under development:								
Hangzhou Xihu Tiandi, Phase 2	-	42,000	-	-	27,000	69,000	100%	69,000
Subtotal	-	42,000	-	-	27,000	69,000		69,000
Total	-	48,000	-	-	27,000	75,000		75,000

Hangzhou

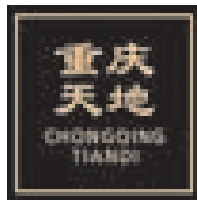
Hangzhou, known as “Paradise on Earth” in ancient China, is a major tourism destination in China. It is the provincial capital of Zhejiang Province, and is about 180 km from Shanghai. It is particularly famous for its natural beauty, rich historic and cultural heritage. The scenic West Lake is one of the most popular tourism spots for Chinese and international tourists, attracting more than 30 million local and international visitors each year. Tourism and related service industries have been the main economic driving force for Hangzhou.



① XIHU TIANDI



Xihu Tiandi



CHONGQING CHONGQING TIANDI

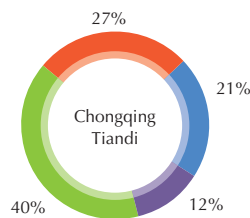
Site location: The Chongqing Tiandi project is located in Yuzhong district, the traditional central business district of Chongqing.

Master plan: The project is an urban redevelopment project. The master plan of the project includes a man-made lake with pavilions and promenade along the waterfront, a commercial core comprising Grade A office buildings, exhibition and conference facilities, luxurious hotels, and retail and entertainment outlets. Residential clusters on the hillside were designed to replicate Chongqing's traditional hill-town characteristics and offer scenic views of the lake and the river. This project is to be developed with the goal of establishing a service hub to support Chongqing's extensive modern industrial and agricultural sectors.

雅江苑
THE RIVIERA

The following shows the usage mix of the project as of 31 December 2009 based on our master plan:

GFA by Usage



	sq.m.
Office	729,000
Retail	428,000
Residential	1,399,000
Hotel/Service Apartment/ Clubhouse/Carpark and other facilities	927,000
Total	3,483,000



Chongqing

Chongqing is strategically located to the east of Sichuan Province in the Sanxia (or The Three Gorges Dam) on the upstream of Yangtze River. It is the only municipality in Western China (the other three being Beijing, Shanghai and Tianjin). Chongqing's status as the pre-eminent regional economic centre of Western China was cemented when it was designated as one of China's five national central cities recently promulgated by the Ministry of Housing and Urban-Rural Development (MOHURD) in 2010.

Continuous heavy infrastructure projects connecting the western region to Chongqing and Chongqing to the rest of China has enabled Chongqing to play its dominate role as the catalyst for western growth. The construction of The Three Gorges Dam, which was largely completed by the end of 2009, will enable ocean-going vessels to reach Chongqing's Yangtze River port. Ten expressways are scheduled to be completed by 2010 and the Chongqing-Shanghai Expressway linking Chongqing, Chengdu, Wuhan, Nanjing and Shanghai will be ready by 2011. A total of seven proposed light railway lines are targeted for completion by 2015.

Chongqing is one of the world's largest cities with a population of 28.6 million. Combined with its neighbouring five provinces, it covers a regional market with a population in its hinterland of 300 million people.



1 CHONGQING TIANDI



Architectural tradition "Cliff Building" featured at Chongqing Tiandi

MANAGEMENT DISCUSSION & ANALYSIS

Market Updates & Project Profiles

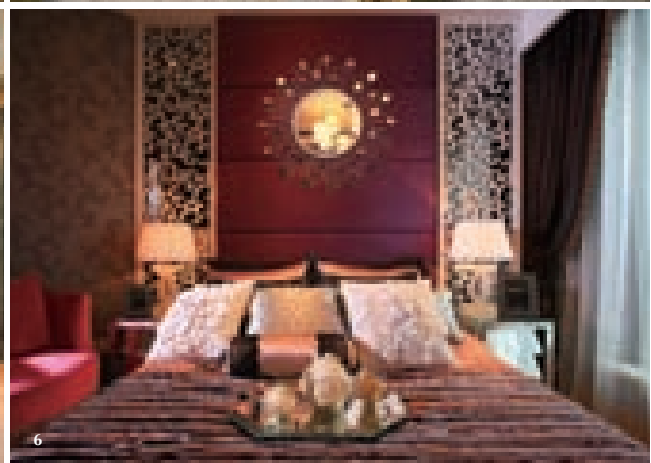
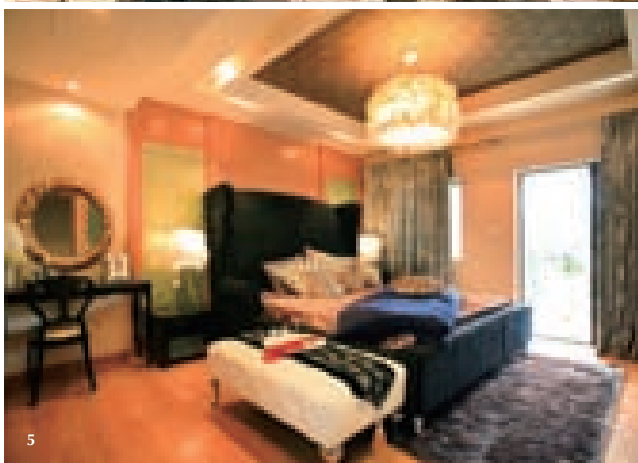


1: The residential project “The Riviera” 2: Chongqing Tiandi preserves local architectural heritage

The table below shows the present development status of Chongqing Tiandi project as of 31 December 2009, which is subject to variation of future development plan:

Project	Approximate/Estimated leasable and saleable area					Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)			
Completed properties:								
The Riviera Phase 1 (Lot B1-1/01)	–	1,000	28,000	3,000	22,000	54,000	79.4%	43,000
Subtotal	–	1,000	28,000	3,000	22,000	54,000		43,000
Properties under development:								
The Riviera Phase 2 Stage 1 (Lot B2-1/01)	–	2,000	47,000	–	14,000	63,000	79.4%	50,000
The Riviera Phase 2 Remaining (Lot B2-1/01)	–	5,000	159,000	8,000	39,000	211,000	79.4%	168,000
Chongqing Tiandi (Lot B3/01)	–	52,000	–	–	33,000	85,000	79.4%	67,000
Super High Rise Stage 1 (Lot B11-1/02)	115,000	13,000	–	–	57,000	185,000	59.5%	110,000
Lot B19/01	–	6,000	114,000	–	36,000	156,000	79.4%	124,000
Subtotal	115,000	78,000	320,000	8,000	179,000	700,000		519,000
Properties for future development:								
Subtotal	614,000	349,000	1,051,000	179,000	536,000	2,729,000	79.4%*	2,067,000
Total	729,000	428,000	1,399,000	190,000	737,000	3,483,000		2,629,000

* The Group has 79.4% interests in Chong Qing Tiandi, except for Lot B11-1/02 which the Group has a 59.5% effective interest. Lot B11-1/02 will be developed into super high rise office towers



3: Bell Tower at Chongqing Tiandi 4: Garden patio of The Riviera II
5 & 6: Show flats of The Riviera II



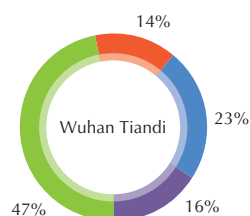
WUHAN WUHAN TIANDI

Site location: The Wuhan Tiandi project is located in city centre at Hankou area in Wuhan. It is on the Yangtze River front with an unrivalled view of the scenic Jiangtan Park. In December 2008, the Municipal Government formally approved the planning of a “Riverside Business Zone”, which includes the Wuhan Tiandi. The Riverside Business Zone is designed to be one of the financial and business centres of Wuhan City, an innovation hub and a cultural journey destination.

Master Plan: The project is a large-scale mixed-use redevelopment comprising two major sites. On site A, mainly office buildings, retail/F&B and entertainment facilities will be developed, with some residential units. Site B is mainly for residential uses and some neighborhood retail facilities. By conserving traditional local architecture with a modern setting, it is set to become a new landmark in Wuhan.

The following shows the usage mix of the project as of 31 December 2009 based on our master plan:

GFA by Usage



	sq.m.
Office	345,000
Retail	242,000
Residential	689,000
Hotel/Service Apartment/ Clubhouse/Carpark and other facilities	194,000
Total	1,470,000



Wuhan

Wuhan is the capital city of the Hubei Province and located at the junction of Yangtze and Han Rivers. Major cities in China are located within 800 km radius from Wuhan. According to the newly approved Urban Planning of the city by the central government, Wuhan position was upgraded to the status of Center City in central China. Wuhan has developed into a major commercial and manufacturing centre in Central China, especially for automobile, iron and steel and in recent years, hi-tech industries. And the city's East Lake High-tech Development Zone was approved as the second National Innovation Model Park after Zhongguan Cun, Beijing.

In line with the national policy of developing Central China in December 2007 the central government approved Wuhan City Circle as an experimental zone for building a "resource-saving and environment-friendly society" based on the model of Shanghai Pudong, Tianjin New Zone, Chengdu and Chongqing. In accordance with the National High-Speed Railway Plan, Wuhan is designated to be the intersection hub of the high-speed railway between Jingguang(Beijing to Guangzhou) and Hulong (shanghai to Chengdu) by 2012. When completed, this railway network will bring Guangzhou, Shanghai, Beijing and Chengdu within 4 hours travel time.

Wuhan had a population of 9.1 million in 2009 and serves a regional market in the hinterland of about 372 million people.



1 WUHAN TIANDI



Food Street at Wuhan Tiandi

MANAGEMENT DISCUSSION & ANALYSIS

Market Updates & Project Profiles



1



2

1: Commercial district at Wuhan Tiandi 2: Night view at Wuhan Tiandi

The table below shows the present development status of Wuhan Tiandi project as of 31 December 2009, which is subject to variation of future development plan:

Project	Approximate/Estimated leasable and saleable area					Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)			
Completed properties:								
Wuhan Tiandi (Lots A4-1, A4-2, A4-3)	–	46,000	–	–	25,000	71,000	75.0%	53,000
The Riverview (Lots A7, A9)	–	–	2,000	–	–	2,000	75.0%	2,000
Subtotal	–	46,000	2,000	–	25,000	73,000		55,000
Properties under development:								
Lot A10	–	–	26,000	–	15,000	41,000	75.0%	31,000
Lot A6	–	2,000	30,000	–	16,000	48,000	75.0%	36,000
Lot A8	–	–	29,000	3,000	13,000	45,000	75.0%	34,000
Lot A5	57,000	2,000	–	–	–	59,000	75.0%	44,000
Lot A11+A12	–	–	50,000	4,000	18,000	72,000	75.0%	54,000
Lot A1/A2/A3	253,000	100,000	–	50,000	–	403,000	75.0%	302,000
Lot A4-4	–	–	–	9,000	5,000	14,000	75.0%	11,000
Lot B9	–	–	72,000	–	–	72,000	75.0%	54,000
Lot B11	–	–	54,000	–	–	54,000	75.0%	41,000
Subtotal	310,000	104,000	261,000	66,000	67,000	808,000		607,000
Properties for future development:								
Subtotal	35,000	92,000	426,000	–	36,000	589,000	75.0%	442,000
Total	345,000	242,000	689,000	66,000	128,000	1,470,000		1,104,000



Lot A5, office building in Corporate Zone at Wuhan Tiandi



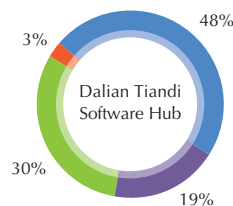
DALIAN DALIAN TIANDI

Site location: The Dalian Tiandi is located adjacent to Dalian Software Park Phase 1, on the west side of Dalian city.

Master plan: The project is a large-scale integrated development consisting of software park office, residential, commercial, educational facilities, hotels and an area for a Xintiandi type development. As Dalian Software Park phase 2, it is designed to serve the city's information technology outsourcing ("ITO") and business process outsourcing ("BPO") industries.

The following shows the usage mix of the project as of 31 December 2009 based on our master plan:

GFA by Usage



	sq.m.
Office	1,704,000
Retail	662,000
Residential	1,059,000
Hotel/Service Apartment/ Clubhouse/Carpark and other facilities	92,000
Total	3,517,000



The table below shows the present development status of Dalian Tiandi project as of 31 December 2009, which is subject to variation of future development plan:

Project	Approximate/Estimated leasable and saleable area					Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/serviced apartment/clubhouse (sq.m.)	Carpark and other facilities (sq.m.)			
Properties under development:								
Huangnichuan North								
Lot D22	42,000	–	–	–	14,000	56,000	48.0%	27,000
Lot D1/E2/E06	52,000	–	107,000	3,000	–	162,000	48.0%	77,000
Lot B02	112,000	–	–	–	–	112,000	48.0%	54,000
Lot C10	40,000	–	–	–	–	40,000	48.0%	19,000
Lot D10	–	19,000	–	33,000	–	52,000	48.0%	25,000
Subtotal	246,000	19,000	107,000	36,000	14,000	422,000		202,000
Properties for future development:								
Subtotal	1,458,000	643,000	952,000	42,000	–	3,095,000	48.0%	1,486,000
Total	1,704,000	662,000	1,059,000	78,000	14,000	3,517,000		1,688,000

* Dalian Tiandi has a landbank of 3.52 million sq.m. in GFA. As of 31 December 2009, approximately 2.93 million sq.m. had been acquired. The remaining GFA of approximately 0.59 million sq.m. will be acquired through public bidding in due course.

Dalian

Dalian is located on the southern tip of Eastern Liaoning Peninsula and serves as a gateway to Beijing, Tianjin and the Bohai-Bay Economic Rim. It is an important communication hub in Northern China and a major transportation centre for Northeast Asia due to its strategic geographical location.

The city is also recognised as a regional economic hub in northeast China and is well known for its rapidly emerging information technology outsourcing (“ITO”) and business process outsourcing (“BPO”) industries. The Ministry of Information Industry had designated the city as one of the six national software export bases along with Shanghai, Beijing, Xi’an, Shenzhen and Tianjin, and had promulgated preferential policy for companies investing in the city. Being the first service outsourcing city in the country, Dalian also holds a unique position as the leading software outsourcing international model city in China. Dalian ranks one of the top five Chinese mainland cities in terms of attracting foreign-funded companies and financial institutions, especially from Japan and South Korea.



- 1 HEKOU BAY
- 2 VALLEY SITE
- 3 HUANGNICHUAN NORTH
- 4 HUANGNICHUAN SOUTH
- 5 NANHAIYOU
- 6 RESORT HOTEL SITE



IT Tiandi at Dalian Tiandi



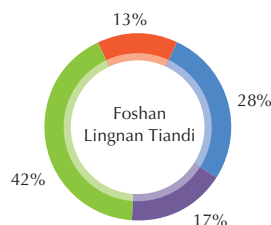
FOSHAN FOSHAN LINGNAN TIANDI

Site Location: The Foshan Lingnan Tiandi project is well-positioned in the old town centre of central Chancheng District, Foshan’s traditional downtown area and public transportation hub. There will be two subway stations of the Guangzhou – Foshan line connecting to the project site.

Master Plan: The project is a large-scale urban redevelopment project. The master plan includes office, retail, hotel, cultural facilities and residential complexes in an integrated community, similar to that of Shanghai Taipingqiao. The centrepiece of Foshan’s cultural heritage is Zumiao, an immaculately preserved 900-year-old Taoism temple. This and another well-known historic area, the Donghuali, are both located within the project. Foshan government’s plan is to upgrade the area into a business and commercial zone, focusing on business, culture, and tourism.

The following shows the usage mix of the project as of 31 December 2009 based on our master plan:

GFA by Usage



	sq.m.
Office	450,000
Retail	282,000
Residential	691,000
Hotel/Service Apartment/ Clubhouse/Carpark and other facilities	216,000
Total	1,639,000



The table below shows the present development status of Foshan Lingnan Tiandi project as of 31 December 2009, which is subject to variation of future development plan:

Project	Approximate/Estimated leasable and saleable area					Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)			
Properties under development:								
Lot 4	-	-	40,000	-	17,000	57,000	100%	57,000
Lot 14	-	-	15,000	-	12,000	27,000	100%	27,000
Lingnan Tiandi Stage 1 (Lot 1-1)	-	17,000	-	7,000	5,000	29,000	100%	29,000
Lingnan Tiandi Stage 2 (Lot 1-2)	-	44,000	-	-	-	44,000	100%	44,000
Lot D+G	-	25,000	-	28,000	25,000	78,000	100%	78,000
Lot 5	-	-	50,000	-	1,000	51,000	100%	51,000
Lot 15	-	-	18,000	-	-	18,000	100%	18,000
Lot E1	-	48,000	-	-	-	48,000	100%	48,000
Lot E2	-	5,000	22,000	-	3,000	30,000	100%	30,000
Lot EOS	-	6,000	-	-	-	6,000	100%	6,000
Subtotal	-	145,000	145,000	35,000	63,000	388,000		388,000
Properties for future development:								
Subtotal	450,000	137,000	546,000	80,000	38,000	1,251,000	100%	1,251,000
Total	450,000	282,000	691,000	115,000	101,000	1,639,000		1,639,000

Foshan

Foshan is a thriving city within the Pearl River Delta, possessing economic dynamism along with rich historical and cultural heritage. Foshan is advantageously located within the Pearl River Delta Economic zone, and is 28 km southwest from the city centre of Guangzhou. The city is the third-largest economy in the Pearl River Delta, after Guangzhou and Shenzhen.

Foshan has a strong manufacturing base and has assumed a leading national position in a number of industries, including ceramics, home appliances, electronics, aluminum and stainless steel. Foshan has extensive transportation infrastructure plans that will dramatically enhance its accessibility to the downtown area of Guangzhou and enable the city to become a greater Guangzhou area. The Guangzhou-Foshan subway is now under construction and is scheduled to be in operation in October 2010. It will shorten the travelling time to Guangzhou to 15-20 minutes. The Hong Kong – Guangzhou Intercity Express Train is also scheduled to complete in 2014, providing a seamless connection of about 80 minutes travel time between Hong Kong and Foshan.



1 FOSHAN LINGNAN TIANDI



1: The commercial area at Foshan Lingnan Tiandi 2: Lot 4, the residential area at Foshan Lingnan Tiandi



ENHANCING COMPETITIVENESS, ACCELERATING COMPLETION

Our Three-Year Plan is a direct response to the need for balancing value creation and cash flow in a volatile global business environment. By speeding up the completion of our portfolio, we are staying ahead of the market and generating sufficient cash flow for our accelerated program and expansion.



BUSINESS REVIEW

The China property market rebounded in the second quarter of 2009 and continued to flourish in the second half of the year. The Group's property sales surged by 3.2 times to RMB6,078 million in 2009.

For the year ended 31 December 2009, the Group's turnover rose significantly to RMB6,758 million, which was 2.3 times higher than that of the corresponding period in 2008 (2008 restated: RMB2,066 million). Property sales accounted for approximately 90% of the turnover, and the other contributors were rental income and other related revenue.

Against the backdrop of the fiscal and monetary stimulus policies of the Central Government in late 2008, the China property market rebounded in the second quarter of 2009 and continued to flourish in the second half of the year. The Group's property sales surged by 3.2 times to RMB6,078 million in 2009 (2008 restated: RMB1,449 million), with total gross floor area ("GFA") delivered in 2009 growing by 1.5 times to 194,300 sq.m. (2008: 76,600 sq.m.). Recognised average selling price ("ASP") increased by 81% to RMB32,600 per sq.m. (2008 restated: RMB18,000 per sq.m.) due to higher prices achieved and volume delivered in the Shanghai Taipingqiao project.

Rental and other affiliated income from the investment property portfolio also grew by 8% to RMB643 million in 2009 (2008: RMB593 million). With the completion of 48,000 sq.m. (2008: 9,000 sq.m.) in 2009, the Group's investment property portfolio stood at 310,000 sq.m..

Amidst strong growth in property sales and rental income, profit attributable to shareholders increased by 49% to RMB2,673 million in 2009 (2008 restated: RMB1,798 million).

PROPERTY SALES RECOGNISED SALES

Revenue from sales of properties was restated in 2008 in accordance with International Financial Reporting Interpretation Committee Interpretation 15 "Agreements for the Construction of Real Estate" ("IFRIC 15"), which was effective for the Group's financial year beginning 1 January 2009.



Shanghai Taipingqiao Redevelopment Project

In previous years, revenue and profit were recognised on the execution of the sales agreements or when the relevant completion certificates were issued by the respective government authorities, whichever was later. With the issuance of IFRIC 15, property sales are recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

Revenue from property sales in 2009 increased by 3.2 times to RMB6,078 million (2008 restated: RMB1,449 million). The table below summarises the recognised sales for the years 2009 and 2008:

Project	2009			2008 (Restated)			Group's interests
	Sales Revenue RMB' million	GFA Sold sq.m.	ASP RMB per sq.m.	Sales Revenue RMB' million	GFA Sold sq.m.	ASP RMB per sq.m.	
Shanghai Taipingqiao	4,706	65,600	75,600	228	4,100	58,500	99.0%
Shanghai Knowledge Innovation Community ("KIC")	450	24,300	19,500	612	31,100	20,700	86.8% ¹
Wuhan Tiandi	514	37,500	14,400	376	29,500	13,400	75.0%
Chongqing Tiandi	345	66,900	6,700 ²	97	11,900	10,600 ²	79.4%
Sub Total	6,015	194,300	32,600	1,313	76,600	18,000	
Car parking spaces and others	63	–		136	–		
Total	6,078	194,300		1,449	76,600		

¹ Agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.

² ASP of Chongqing is based on net floor area, a common market practice in the region.

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CONTRACTED SALES

Contracted sales in 2009 grew by 110% to RMB6,161 million (2008: RMB2,939 million). GFA sold increased by 2.1 times to 266,900 sq.m. in 2009 (2008: 85,100 sq.m.). The table below summarises our property sales by projects for 2009 and 2008:

Project	2009			2008			Group's interests
	Contracted Sales RMB' million	GFA Sold sq.m.	ASP RMB per sq.m.	Contracted Sales RMB' million	GFA Sold sq.m.	ASP RMB per sq.m.	
Shanghai Taipingqiao	2,965	44,300	70,500	1,960	24,200	85,300	99.0%
Shanghai Rui Hong Xin Cheng	814	30,900	27,700	–	–	–	74.3%
Shanghai KIC	1,015	46,700	22,900	345	18,000	20,200	86.8% ¹
Wuhan Tiandi	857	63,300	14,300	403	29,100	14,600	75.0%
Chongqing Tiandi	444	81,700	7,100 ²	108	13,600	10,300 ²	79.4%
Sub Total	6,095	266,900	24,000	2,816	84,900	34,900	
Car parking spaces and others	66	–	–	123	200	–	
Total	6,161	266,900	–	2,939	85,100	–	

1 Agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.

2 ASP of Chongqing is based on net floor area, a common market practice in the region.

The lower ASPs for some projects in 2009 were due to the change in properties mix. Also because of some of the facing and elevation of the properties launched in 2009 are inferior to properties sold in 2008.



Shanghai Xintiandi

The following sections provide the sales performance and price analysis of the projects. Shanghai property sales remain strong while Wuhan Tiandi and Chongqing Tiandi are entering their harvest time. The development progress of the projects in Wuhan and Chongqing demonstrated that our “Xintiandi” model has been successfully replicating to the other cities.

Shanghai Taipingqiao

The launch of the residential apartments of Towers 11 and 12 Casa Lakeville in May and June was well received by the market, with the ASP trending up by 20% from RMB56,400 per sq.m. to RMB67,800 per sq.m. Riding on the strong take-up rate of the two previous launches, Tower 9 was launched in August and achieved a satisfactory ASP of RMB71,300 per sq.m.. A total GFA of 44,300 sq.m. or 292 units were sold in 2009, with ASP recorded at RMB70,500 per sq.m.. Contracted sales reached RMB2,965 million.

Shanghai Rui Hong Xin Cheng

Rui Hong Xin Cheng Phase 3 (Lot 8) was launched in July 2009 and achieved a robust market response. 244 units or 30,900 sq.m. were sold with ASP of RMB27,700 per sq.m., which was 67% higher than the previous launch of Phase 2 in 2007.

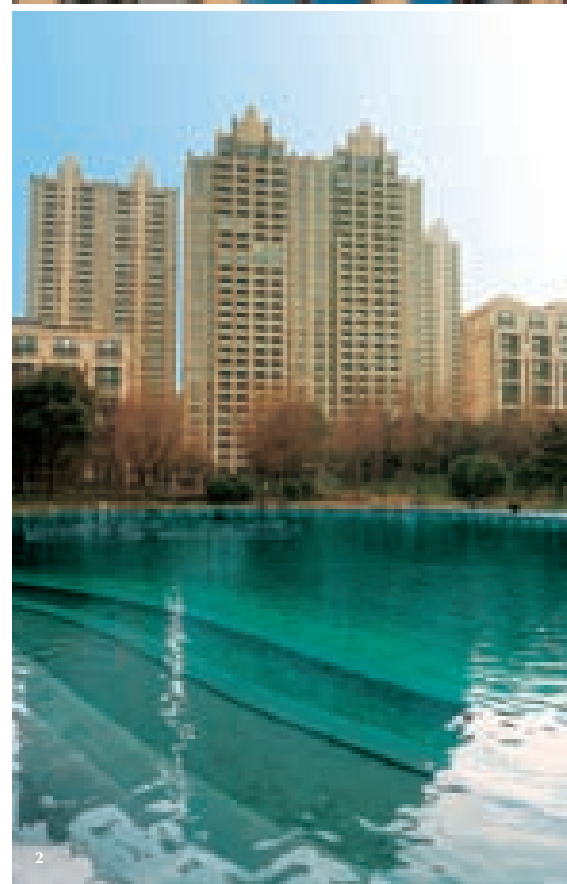
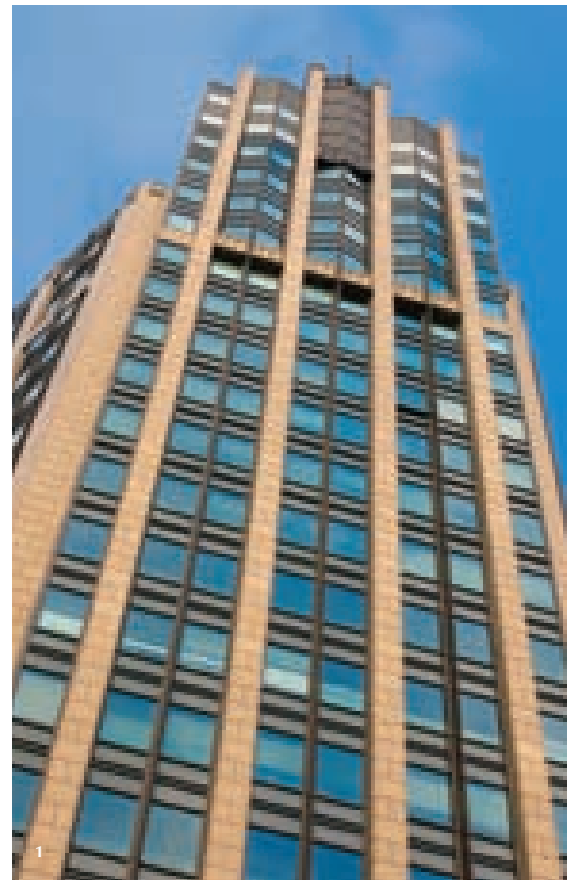
Shanghai KIC

KIC had two launches in July and November 2009, with ASP of RMB18,400 per sq.m. and RMB27,100 per sq.m. achieved, respectively. In total, 414 units or 46,700 sq.m. were sold with proceeds of RMB1,015 million.

“ Shanghai’s ambition to become an international financial hub inspires vast business opportunities and huge demand in premium properties. Our Taipingqiao project and Rui Hong Xin Cheng cater perfectly to these requests. ”

S. S. HUI

*Project Director –
Shanghai Taipingqiao,
Rui Hong Xin Cheng and
Hangzhou Xihu Tiandi*



1: Corporate Avenue in Shanghai
2: Lakeville Regency in Shanghai

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Wuhan Tiandi

Residential sales in Wuhan Tiandi – the Riverview continued to be well received by the market. Phase 2 (Lots A10 and A8) was launched for pre-sale in 2009. 459 units or 63,300 sq.m. GFA were sold in 2009 with ASP of RMB14,300 per sq.m. The selling price of the Riverview continued to be one of the highest in the city.

In the first quarter of 2010, 180 residential apartments of Phase 2 (Lot A6) were contracted for sales with achieved ASP of RMB16,400 per sq.m. The ASP increased by 15% compared to the ASP in 2009.

Chongqing Tiandi

The property market in Chongqing was slow early in the first half of 2009. A total GFA of 81,700 sq.m. of residential apartment was contracted for sale in 2009 with ASP recorded at RMB7,100* per sq.m. for those units of the Riviera Phase 1 (Lot B1-01) facing the main road.

Against a background of monetary stimulus and government incentive policies, Chongqing property market has rebounded since the second half of 2009. In the first quarter of 2010, the last batch with a total of 1,500 sq.m. of the river view apartments in the Riviera Phase 1 (Lot B1-01) was contracted at the ASP of RMB14,400* per sq.m. In addition, another 22,900 sq.m. of GFA of residential apartments facing the main road in the Riviera Phase 2 (Lot B2-01) were contracted for sale with ASP of RMB10,000* per sq.m..

* ASP of Chongqing is based on net floor area, a common market practice in the region.

The successful and unique “Xintiandi” model that we have developed in Shanghai consists of grade A office, up-market food and beverage arena, retail and high-end residential apartments, with the spirit of conservation of local heritage and the environment, thereby creating a sustainable community for “Live-Work-Play” in the core of the city. Since 2004, the Group has replicated this development strategy in other high growth cities in China.

In 2004, the Group acquired a city centre site in Chongqing, the “Chongqing Tiandi”, with a total GFA of 3.5 million sq.m.. In 2005, another city centre site, this time in Wuhan was acquired. “Wuhan Tiandi” had a GFA of 1.5 million sq.m.. In 2007, the “Foshan Lingnan Tiandi” was acquired in Foshan city centre with a total GFA of 1.5 million sq.m..

Chongqing Tiandi and Wuhan Tiandi have been contributing cash flow and profit to the Group since 2007. In 2009, contracted sales of these two projects increased by 155% to reach RMB1,301million from RMB511 million in 2008, and GFA sold also increased significantly by 240% to 145,000 sq.m. in 2009 from 42,700 sq.m. the year before. The first phase of Foshan Lingnan Tiandi is under

construction and will be launched in 2010. Going forward, these projects are expected to play a more important role in the Group’s operations and as profit contributors in the medium term.

LOCK-IN SALES CARRIED FORWARD TO 2010 AND 2011

Contracted sales in 2009 for handover to end users in 2010 and 2011 amounted to RMB2,650 million.

PROPERTIES AVAILABLE FOR SALE IN 2010

The Group is planning to launch a total of 426,200 sq.m. of GFA from seven projects for sale and pre-sale in 2010, of which 10% will be from the three Shanghai projects and 90% will be from the other four cities, namely Wuhan, Chongqing, Foshan and Dalian. The table below summaries our property available for sale in 2010:

Project	Available for sale and pre-sale in 2010 GFA in sq.m.	Group's interest
Shanghai Taipingqiao	10,500	99.0%
Shanghai Rui Hong Xin Cheng	30,800	74.3%
Shanghai KIC	300	86.8%*
Wuhan Tiandi	38,500	75.0%
Chongqing Tiandi	170,400	79.4%
Foshan Lingnan Tiandi	68,700	100.0%
Dalian Tiandi	107,000	48.0%
Total	426,200	

* Agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.

It should be noted that the actual launch of sale and pre-sale in the future depends on and will be affected by the construction progress, market environments, changes in government regulations and the like.

INVESTMENT PROPERTIES

Investing in investment properties remains an important part of the Group’s long-term business strategy to create value for the Group. In addition, it provides recurrent and growing rental income streams and enables the Group to hedge against the volatility of the real estate markets in the longer term. Rental and other affiliated income from investment properties increased by 8% to RMB643 million in 2009. As of 31 December 2009, our portfolio of investment properties was 310,000 sq.m., of which approximately 42% was office and 56% was retail space. 257,000 sqm. or geographically 83% of the completed investment property is located in Shanghai.

The table below summarises the portfolio of completed investment properties together with their respective occupancy rate:

Project	Leasable GFA (sq.m.)				Occupancy rate			Group's interest
	Office	Retail	Serviced apartments	Total	31 March 2010	31 December 2009	31 December 2008	
Shanghai Taipingqiao								
Shanghai Xintiandi	5,000	47,000	5,000	57,000	98%	100%	99%	97.0%
Shanghai Corporate Avenue	76,000	7,000	–	83,000	99%	96%	99%	99.0%
Shanghai Rui Hong Xin Cheng								
Phase 1 Commercial Complex	–	5,000	–	5,000	100%	100%	55%	75.0%
Phase 2 Commercial Complex	–	28,000	–	28,000	99%	100%	99%	74.3%
Shanghai KIC Village								
(R1: Lots 6-5, 6-6, 8-3, 8-5; and R2: Lots 7-9, 8-2)	21,000	11,000	–	32,000	42%	37%	59%	86.8%*
Shanghai KIC Plaza								
Phase 1	29,000	23,000	–	52,000	82%	83%	82%	86.8%*
Hangzhou Xihu Tiandi								
Phase 1	–	6,000	–	6,000	100%	100%	100%	100.0%
Wuhan Tiandi, Commercial								
Lots A4-1	–	16,000	–	16,000	94%	92%	89%	75.0%
Lots A4-2 & A4-3	–	30,000	–	30,000	75%	60%	N/A	75.0%
Chongqing Tiandi, The Riviera								
Phase 1 (Lot B1-1/01)	–	1,000	–	1,000	100%	16%	N/A	79.4%
Total leasable GFA								
As of 31 December 2009	131,000	174,000	5,000	310,000				
As of 31 December 2008	118,000	139,000	5,000	262,000				

* Agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.

Shanghai Xintiandi and Shanghai Corporate Avenue continued to be the main rental income contributors in 2009, accounting for 82% of the total rental income. These two developments are virtually let with a 5% increase in rental income over 2008.

The occupancy rate of Shanghai Rui Hong Xin Cheng Phase 1 Commercial Complex rose to 100% in 2009 from 55% in the previous year after the completion of a major refurbishment in mid 2009. The Phase 2 Commercial Complex continued to be fully leased.

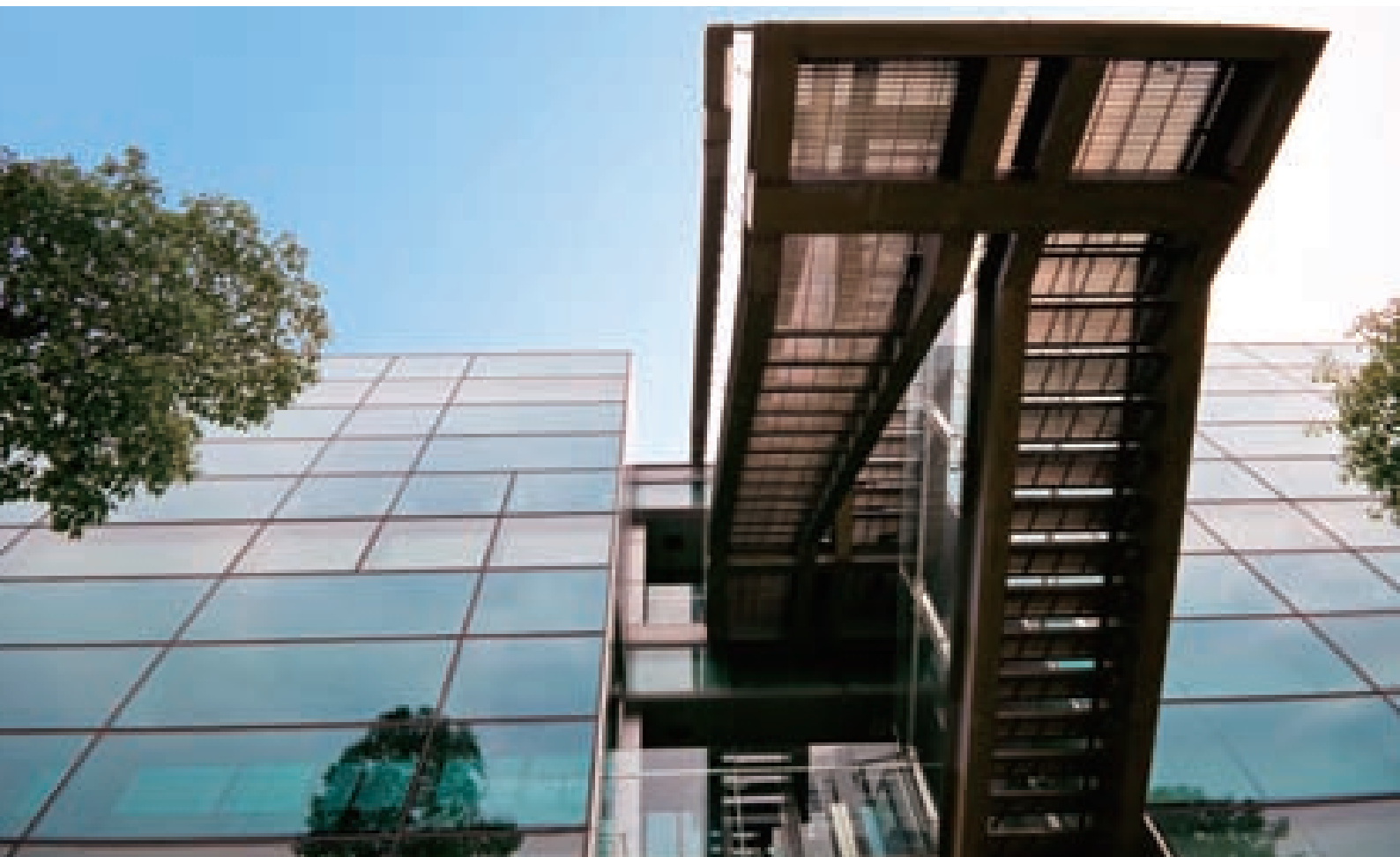
The occupancy rate of Shanghai KIC Plaza Hub 1 increased from 82% in 2008 to 83% in 2009. Meanwhile, at KIC Village R1 and R2, due to the new completion of retail and office portions of KIC Village R2 with an additional area of 17,000 sq.m., the total occupancy rate in KIC Village R1 and R2 was being diluted. However, the occupancy rate is expected to improve after the Metro Line 10's operations which is expected to be in April 2010.

Hangzhou Xihu Tiandi Phase 1 continues to enjoy full occupancy with a stable income stream.

Phase 1 of the commercial portion of Wuhan Tiandi (Lot A4-1) reached 92% occupancy rate, while the newly completed Phase 2 and 3 (Lots A4-2 and A4-3) with a total leasable area of 30,000 sq.m. have an occupancy rate of 60% as of 31 December 2009. Occupancy rate of Phase 2 and 3 further improved to 75% as of 31 March 2010.

Phase 1 of the commercial portion of Chongqing Tiandi (Lot B3-01) had a soft opening on 31 January 2010 with 9 restaurants serving fine dining cuisine. A total of 52,000 sq.m. of new retail space is expected to be delivered in 2010.

The estimated completion of investment properties, comprising of Shanghai Taipingqiao, Rui Hong Xin Cheng, KIC, Chongqing, Wuhan and Foshan, will be further increased by approximately 188,000 sq.m. in 2010. Thereafter, our portfolio is expected to rise to 498,000 sq.m..



KIC creates an environment to foster entrepreneurship and technology innovation

“ The improvement of environment, increase in both start-up company and MNC occupancy and bringing in of international venture capital resources have secured KIC’s position as an incubation platform to facilitate the development of technology innovation and entrepreneurship in Shanghai. ”

Charles W. M. CHAN
*Project Director –
Shanghai KIC and Dalian Tiandi*



VALUABLE INVESTMENT PROPERTY PORTFOLIO

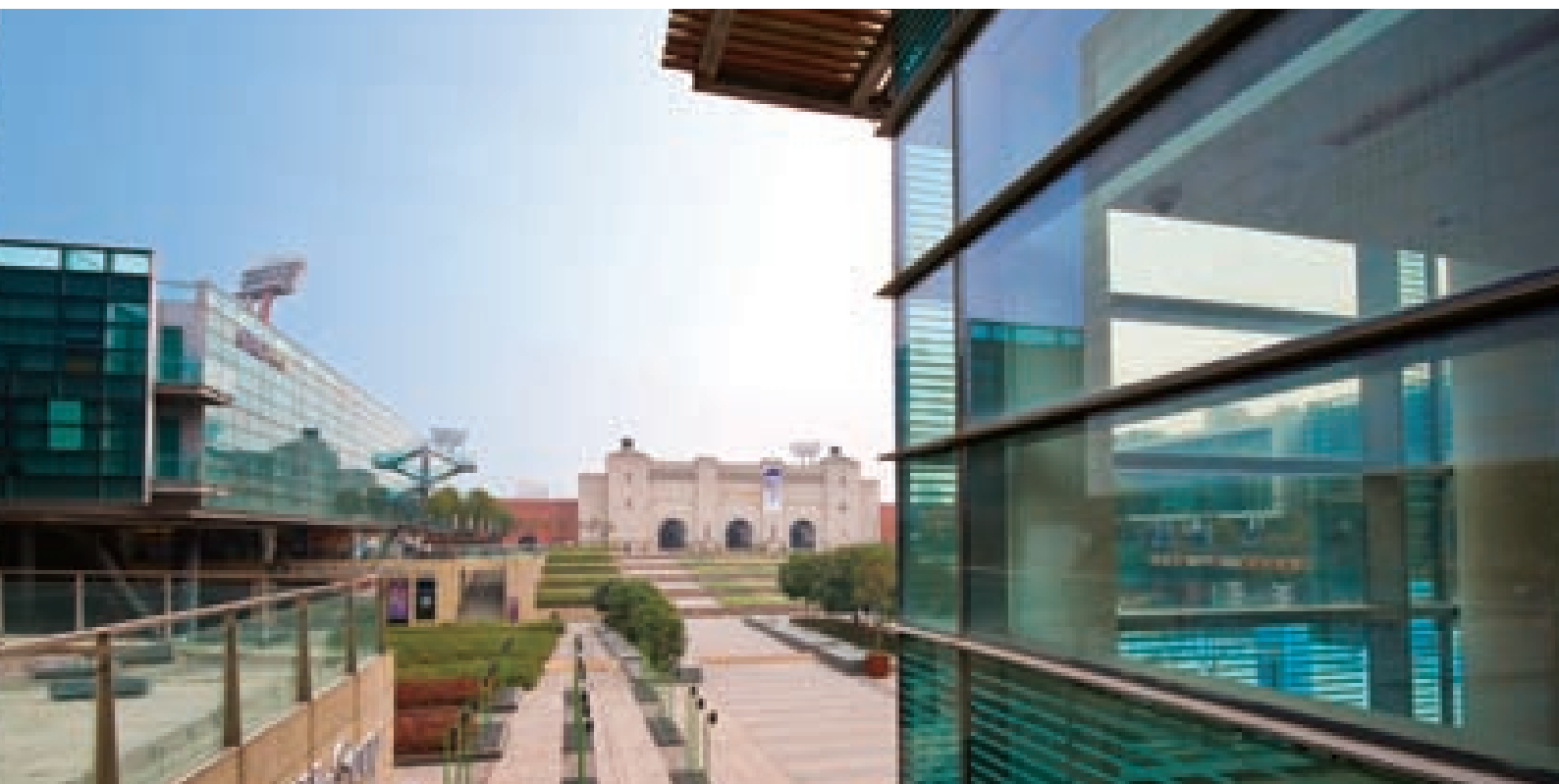
As of 31 December 2009, the market value of the completed investment property portfolio was RMB9,384 million in accordance with valuation reports prepared by an independent property valuer. The Shanghai portfolio accounted for 94%. Together with the newly completed leasable area in Wuhan and Chongqing in 2009, the market value of the entire portfolio increased by 11%.

STRATEGIC PARTNERSHIP

Strategic partnership continues to be one of pillars of the Group's long-term business strategies to give synergies to the project developments. In July 2009, the Group entered

into an agreement with Redevco, a renowned retail real estate operator in Europe with EURO7.2 billion assets under management. The cooperation agreement involved the construction and operation of a commercial podium of 100,000 sq.m. in Wuhan Tiandi.

The Group will continue to look for appropriate strategic partners to co-develop projects, either at a project level and/or for a particular parcel of land. This strategy allows the Group to accelerate returns from its projects, diversify its risks and enhance cash flow. It brings synergies to the Group by tapping the expertise and know-how of prospective partners.



KIC Plaza in Shanghai

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1: The Riviera at Chongqing Tiandi is well-received by the market 2: Chongqing Tiandi will become the landmark community in Chongqing

PROPERTY DEVELOPMENT – ACCELERATING DEVELOPMENT

To accomplish the new three-year plan (“Three-Year Plan”) initiatives in 2009, the Group has plans to expedite the construction works in the following years. The following table summarises the projects that are planned for completion and to be ready for delivery/handover in the following three years.

Project	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/serviced apartments clubhouse/ sq.m.	Carpark and other facilities sq.m.	Total sq.m.	Group's interest
Ready for delivery/handover in 2010							
Shanghai Taipingqiao	7,000	–	29,000	2,000	34,000	72,000	99.0%
Shanghai Rui Hong Xin Cheng	31,000	–	2,000	1,000	10,000	44,000	74.3%
Shanghai KIC	22,000	51,000	8,000	4,000	49,000	134,000	86.8% ¹
Wuhan Tiandi	85,000	–	2,000	3,000	44,000	134,000	75.0%
Chongqing Tiandi	47,000	–	54,000	–	47,000	148,000	79.4%
Dalian Tiandi	–	42,000	–	–	14,000	56,000	48.0%
Total	192,000	93,000	95,000	10,000	198,000	588,000	
Ready for delivery/handover in year 2011							
Shanghai Rui Hong Xin Cheng	15,000	–	–	–	–	15,000	74.3%
Shanghai KIC	–	41,000	12,000	–	28,000	81,000	86.8% ¹
Chongqing Tiandi	168,000	–	5,000	8,000	39,000	220,000	79.4%
Foshan Lingnan Tiandi	55,000	–	41,000	35,000	59,000	190,000	100.0%
Dalian Tiandi	–	204,000	19,000	3,000	–	226,000	48.0%
Total	238,000	245,000	77,000	46,000	126,000	732,000	
Ready for delivery/handover in year 2012							
Shanghai Rui Hong Xin Cheng	47,000	–	12,000	2,000	31,000	92,000	74.3%
Shanghai KIC	20,000	50,000	–	–	–	70,000	99.0%
Wuhan Tiandi	176,000	57,000	61,000	4,000	18,000	316,000	75.0%
Chongqing Tiandi	197,000	115,000	28,000	–	117,000	457,000	79.4% ²
Foshan Lingnan Tiandi	90,000	–	104,000	–	4,000	198,000	100.0%
Dalian Tiandi	107,000	–	–	33,000	–	140,000	48.0%
Total	637,000	222,000	205,000	39,000	170,000	1,273,000	

¹ Agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.

² The Group has a 79.4% interests in Chongqing Tiandi, except for Lot B11-1/02 which the Group has a 59.5% effective interest. Lot B11-1/02 will be developed into super high rise office towers.

It should be noted that the actual launch of sale and pre-sale in the future depends on and will be affected by the construction progress, market environments, changes in government regulations and the like.



“ Chongqing Tiandi embraces international perspectives and innovative ideas which set new trends in the local market. Our project will confidently become a new landmark in Chongqing. ”

K. W. TANG
Project Director –
Chongqing Tiandi



Commercial properties at Wuhan Tiandi



“ Wuhan is a leading city in the development of the central region of China. Wuhan Tiandi is designed to bring in the international horizons to help strengthen the city’s strategic position. ”

Freddy C. K. LEE

Managing Director

Project Director –

Wuhan Tiandi and Foshan Lingnan Tiandi



The Riverview Phase 1 at Wuhan Tiandi

Shanghai Taipingqiao

Retail podium of Lot 113 is expected to commence business in the second half of 2010. Towers 3 to 8 of Casa Lakeville (Lot 113) comprising deluxe high-end apartments based on the concept of a “villa in an apartment”, are currently under construction and are expected to be launched to the market for sale in 2010.

Relocation on Lot 126 and Lot 127 is progressing well with approximately 96% and 82% of households being relocated as of 31 December 2009. The demolition and site clearance works have started on Lot 126 and 127. The two sites are to be developed into a twin-tower grade A office with retail podium development. Constructions are expected to commence in 2010.

The first round of consultation in relocation of Lot 116 is to be commenced in the second quarter of 2010 under the new relocation scheme. The GFA for this residential site is 90,000 sq.m.. The Company has a 50% interest in the site.

Shanghai Rui Hong Xin Cheng

The construction of Rui Hong Xin Cheng Phase 3 (Lot 8) was completed in January 2010. Most of the apartments were pre-sold in 2009 and are scheduled for delivery in the second quarter of 2010.

The Group has commenced construction on Phase 3 (Lot 4) with a GFA of 62,000 sq.m. for residential and 12,000 sq.m. for retail. Two of the residential towers are expected to be launched to the market for pre-sale in late 2010.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review



1

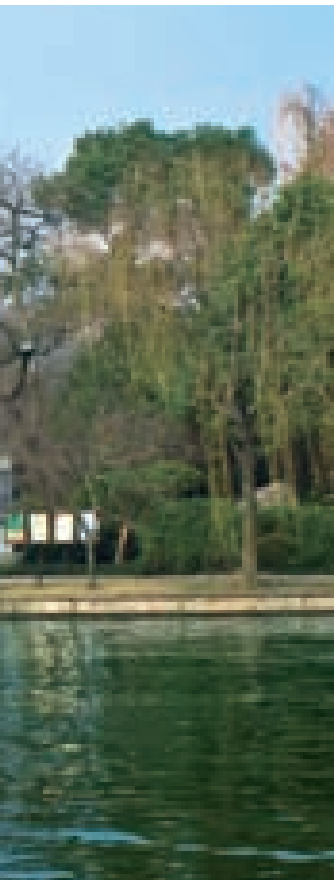


2



3

1 & 2: The internationally-renowned West Lake attracts millions of tourists every year 3: Yong Jin Lou at Xihu Tiandi in Hangzhou



Relocation on Lot 6 went well. As of 31 December 2009, 93% of the households in Lot 6 had signed the relocation agreements. The planned GFA of the residential apartments is 126,000 sq.m. and construction works are planned to begin in 2010.

Relocation consultation on Lot 3 commenced in December 2009 under the new relocation scheme. The planned GFA is 104,000 sq.m..

Relocation on Lots 9 and 10 are planned to commence in 2010 with a total GFA of 270,000 sq.m. to be developed into residential apartments and retail space.

Shanghai KIC

Construction of KIC Village (R2 Lot 7-7) and KIC Plaza Phase 2 are still undergoing. All the units launched in KIC Village were pre-sold in 2009 and are scheduled for delivery in 2010. The Group has commenced constructions of office towers with retail podium on Lot C2 with a leasable GFA of 53,000 sq.m. in 2009. The development is planned to be completed in 2011.

Hangzhou Xihu Tiandi

Phase 2 of Xihu Tiandi's relocation is in progress with 88% of the households being relocated as of 31 December 2009.

“ Located in one of the world's most picturesque tourist attractions West Lake, Xihu Tiandi Phase I offers millions of visitors each year a taste of “East-West” fusion culinary enjoyment. ”

S. S. HUI

*Project Director –
Shanghai Taipingqiao,
Rui Hong Xin Cheng and
Hangzhou Xihu Tiandi*



Master-plan of Hekon Bay at Dalian Tiandi

“ With the completion of substantial mixed-use properties space and the signing up of major MNCs and organisations, Dalian Tiandi is quickly taking a vital role in Dalian’s transformation into the leading port and service centre in the northeastern coastal economic belt. ”

Charles W. M. CHAN
*Project Director –
Shanghai KIC and Dalian Tiandi*



Wuhan Tiandi

Construction works of Phase 2 of Wuhan Tiandi - the Riverview (Lots A6, A8 and A10) with a total GFA of 85,000 sq.m. for residential apartments are still ongoing. In 2009, construction works on Lot A5, Lot A11 and A12 commenced. Lot A5 with a total GFA of 59,000 sq.m. will be developed into a grade A office tower with retail podium. Constructions are estimated to be completed in 2012. Lots A11 and A12 with a total GFA of 50,000 sq.m. will be developed into luxury residential apartments with a 180 degree panoramic Yangtze River view. Part of the development is expected to be launched for pre-sale in late 2010, and the entire development is expected to be completed in 2012.

Chongqing Tiandi

Construction works in Phase 2 of Chongqing Tiandi - the Riviera have commenced construction and are estimated to be ready for delivery in 2011 and 2012. Construction works of Chongqing Tiandi Commercial with a total GFA of 52,000 sq.m. have been substantially completed. A soft

opening was held in January 2010 with the grand opening scheduled in mid-2010. Construction works of a grade A office tower phase 1 with a GFA of 115,000 sq.m. were commenced in late 2009.

Foshan Lingnan Tiandi

Construction works of Phase 1 commercial complex of Foshan Lingnan Tiandi (Lot 1) began in 2008 and are expected to be completed in 2011. A total of 55,000 sq.m. GFA on Lots 4 and Lot 14 are designed to be townhouses and residential apartments respectively. The development is estimated to be launched for pre-sale in 2010. Lot D with a 52,000 sq.m. GFA is to be developed into hotel, serviced apartments and retail spaces with the target completion date in 2011.

Dalian Tiandi

A total of 422,000 sq.m. GFA is currently under development on Huangnichuan site. These are planned to be developed into software hub buildings, IT training centres, IT Tiandi and residential apartments.



Master-plan of Huangnichuan at Dalian Tiandi

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

LANDBANK

As of 31 December 2009, the Group's landbank reached 13.0 million sq.m., (of which 9.6 million sq.m. are attributable to shareholders of the Company) in eight development projects located in prime areas spanning in six cities – Shanghai, Hangzhou, Chongqing, Wuhan, Foshan and Dalian.

Of the total 13.0 million sqm. GFA of landbank portfolio, 39% is for residential use, 16% retail, 30% office, and 4% for hotel, serviced apartments and club house use. The remaining 11% is for car parking spaces and other facilities.

In terms of geographic location, 22% in Shanghai, 11% in Wuhan, 27% in Chongqing, 12% in Foshan, 27% in Dalian and 1% in Hangzhou.

COMPLETED PROPERTIES

As of 31 December 2009, the completed properties on hand were 567,000 sq.m., which include investment properties, property held for sales, club houses, car parking spaces and other facilities.

PROPERTY UNDER DEVELOPMENT

As of 31 December 2009, the Group had a total GFA of 3.2 million sq.m. of properties under development, which are targeted to be delivered progressively in the following years.

PROPERTY FOR FUTURE DEVELOPMENT

As of 31 December 2009, the Group had a total GFA of 9.3 million sq.m. of properties held for future development.



The residential area at Foshan Lingnan Tiandi

“ Foshan Lingnan Tiandi, which features the city’s rich cultural heritage and dynamic historical characteristics, will add momentum to Foshan’s integration with Guangzhou into a stronger economic zone. ”

Freddy C. K. LEE

Managing Director

Project Director –

Wuhan Tiandi and Foshan Tiandi



Master-plan of Foshan Lingnan Tiandi

LANDBANK AT A GLANCE

The Group's total landbank as of 31 December 2009, including that of its associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA					Total GFA (sq.m.)	Group's Interest	Attributable GFA (sq.m.)
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/serviced apartments/clubhouse (sq.m.)	Carpark and other facilities (sq.m.)			
Completed properties:								
Shanghai Taipingqiao	81,000	54,000	6,000	16,000	54,000	211,000	99.0% ¹	208,000
Shanghai Rui Hong Xin Cheng	–	33,000	–	8,000	21,000	62,000	74.3% ²	47,000
Shanghai KIC	60,000	34,000	1,000	–	66,000	161,000	86.8% ³	140,000
Hangzhou Xihu Tiandi	–	6,000	–	–	–	6,000	100.0%	6,000
Wuhan Tiandi	–	46,000	2,000	–	25,000	73,000	75.0%	55,000
Chongqing Tiandi	–	1,000	28,000	3,000	22,000	54,000	79.4%	43,000
Subtotal	141,000	174,000	37,000	27,000	188,000	567,000		499,000
Properties under development:								
Shanghai Taipingqiao	105,000	81,000	7,000	2,000	115,000	310,000	99.0%	307,000
Shanghai Rui Hong Xin Cheng	–	14,000	219,000	7,000	42,000	282,000	74.3%	209,000
Shanghai KIC	92,000	20,000	22,000	4,000	77,000	215,000	86.8% ³	186,000
Hangzhou Xihu Tiandi	–	42,000	–	–	27,000	69,000	100.0%	69,000
Wuhan Tiandi	310,000	104,000	261,000	66,000	67,000	808,000	75.0%	607,000
Chongqing Tiandi	115,000	78,000	320,000	8,000	179,000	700,000	79.4% ⁴	519,000
Foshan Lingnan Tiandi	–	145,000	145,000	35,000	63,000	388,000	100.0%	388,000
Dalian Tiandi	246,000	19,000	107,000	36,000	14,000	422,000	48.0% ⁵	202,000
Subtotal	868,000	503,000	1,081,000	158,000	584,000	3,194,000		2,487,000
Properties held for future development:								
Shanghai Taipingqiao	174,000	118,000	256,000	38,000	44,000	630,000	99.0% ¹	580,000
Shanghai Rui Hong Xin Cheng	85,000	83,000	639,000	–	13,000	820,000	74.3%	608,000
Shanghai KIC	94,000	–	48,000	19,000	–	161,000	99.0%	160,000
Wuhan Tiandi	35,000	92,000	426,000	–	36,000	589,000	75.0%	442,000
Chongqing Tiandi	614,000	349,000	1,051,000	179,000	536,000	2,729,000	79.4% ⁴	2,067,000
Foshan Lingnan Tiandi	450,000	137,000	546,000	80,000	38,000	1,251,000	100.0%	1,251,000
Dalian Tiandi	1,458,000	643,000	952,000	42,000	–	3,095,000	48.0% ⁵	1,486,000
Subtotal	2,910,000	1,422,000	3,918,000	358,000	667,000	9,275,000		6,594,000
Total landbank GFA	3,919,000	2,099,000	5,036,000	543,000	1,439,000	13,036,000		9,580,000

1 The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi and Lot 116, in which the Group has 97.0% and 50.0% effective interest respectively.

2 The Group has a 75.0% interest in the Phase I of Shanghai Rui Hong Xin Cheng project and 74.3% interests in all the remaining phases.

3 Agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.

4 The Group has a 79.4% interests in Chongqing Tiandi, except for Lot B11-1/02 which the Group has a 59.5% effective interest. Lot B11-1/02 will be developed into super high rise office towers.

5 Dalian Tiandi has a landbank of 3.52 million sq.m. in GFA. As of 31 December 2009, approximately 2.93 million sq.m. had been acquired. The remaining GFA of approximately 0.59 million sq.m. will be acquired through public bidding in due course.

LAND ACQUISITIONS

In January 2010, the Group signed a purchase agreement with a third party to acquire a special purpose company that holds the development rights of two lots of land (Lots 167A and 167B) adjacent to the existing Rui Hong Xin Cheng Project with GFA of 176,000 sq.m..

In March 2010, the Group successfully bid for a parcel of land in the Shanghai KIC project with developable GFA of 159,600 sq.m. at a consideration of RMB1,264 million. This parcel of land is part of the master plan of the entire development of Shanghai KIC project.

We believe that these acquisitions are good investments and will enable the Group to replenish its asset and earnings base and to further add value to the Group.



Lot D, the service apartment and shopping centre at Foshan Lingnan Tiandi

FINANCIAL REVIEW

Profit attributable to shareholders of the Company for 2009 was RMB2,673 million, an increase of 49% when compared to 2008.

Turnover increased by 2.3 times to RMB6,758 million (2008 restated: RMB2,066 million), primarily due to the increase in property sales recognised in 2009.

Property sales rose by 3.2 times to RMB6,078 million (2008 restated: RMB1,449 million). During the year ended 31 December 2009, the Group has contracted sales of 266,900 sq.m., out of which 194,300 sq.m. were recognised (2008: contracted sales were 85,100 sq.m. with 76,600 sq.m. recognised.). Details of the property sales during the year ended 31 December 2009 are contained in the paragraph headed "Property Sales" in the Business Review Section referred to the above.

Rental and other affiliated income increased by 8% to RMB643 million (2008: RMB593 million), mainly attributable to increases in the average rental rates in Shanghai Xintiandi and Shanghai Corporate Avenue as well as increase in leasable areas in Shanghai Knowledge and Innovation Community and Wuhan Tiandi.





Chongqing residents celebrate the opening of Chongqing Tiandi

Gross profit for 2009 rose to RMB3,529 million (2008 restated: RMB1,038 million) with a gross profit margin of 52% (2008 restated: 50%).

Included in *Other income* for 2008 were tax refunds from reinvestment of dividends and grants received from certain local government authorities totalling RMB109 million. These were non-recurring items and was the reason for the decrease in other income by 50% to RMB170 million for 2009 (2008: RMB342 million).

Selling and marketing expenses increased by 13% to RMB151 million (2008: RMB134 million) mainly due to the increased in contracted sales to RMB6,161 million (2008: RMB2,939 million).

General and administrative expenses decreased by 22% to RMB543 million (2008: RMB697 million), a consequence of the effectiveness of the cost control measures adopted by the Group in 2009.

Operating profit increased by 4.5 times to RMB3,005 million (2008 restated: RMB549 million), a composite effect on the various items mentioned above.

Increase in fair value of investment properties was RMB536 million (2008: RMB382 million). The amount for 2009 included the fair value gain of investment properties under construction or development of RMB277 million due to the application of the amendment to IAS 40 Investment Property arising from improvements to IFRS.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

Share of results of associates was RMB436 million (2008: RMB44 million). The increase is attributable to a rise in fair value of the investment properties under development (net of related taxes) of certain associates which amounted to RMB496 million.

Finance costs, net of exchange gain reduced to RMB89 million (2008: RMB133 million). The decrease can be explained by lower interest expenses of RMB761 million (2008: RMB824 million) for 2009 as a result of the repayment of Notes in the second half of 2008, and the slight increase in amount capitalised to properties under development of RMB634 million (2008: RMB618 million).

Profit before taxation increased by 43% to RMB3,894 million (2008 restated: RMB2,725 million, which included a gain on partial disposals of equity interests in subsidiaries of RMB1,883 million).

Taxation of RMB1,301 million for the year 2009 has doubled as compared to the restated comparative figure of RMB657 million. Excluding the Land Appreciation Tax of RMB467 million (which was assessed based on the appreciation value of properties disposed) together with its enterprise income tax effect of RMB117 million, the effective tax rate for the year 2009 was 24.4%, which approximates to the PRC enterprise income tax rate of 25%.

Profit attributable to shareholders of the Company for 2009 was RMB2,673 million, an increase of 49% when compared to 2008 (2008 restated: RMB1,798 million).

The effects on profit attributable to shareholders on the change in fair value of the Group's investment properties, net of related tax effect, and fair value change of derivative financial instruments are as follows:

	Year ended 31 December		
	2009 RMB'million	2008 RMB'million (Restated)	% change
Profit attributable to shareholders of the Company	2,673	1,798	+49%
Revaluation increase on investment properties of the Group (net of deferred tax effect and share of non-controlling interests)	(493)	(279)	
Share of revaluation increase on investment properties of the associates (net of tax effect)	(496)	–	
Loss on change in fair value of derivative financial instruments	–	13	
Profit attributable to shareholders of the Company before			
(i) revaluation of investment properties; and			
(ii) fair value adjustment on derivative financial instruments	1,684	1,532	+10%

Earnings per share were RMB0.55 calculated based on a weighted average of approximately 4,823 million shares in issue during the year ended 31 December 2009 (2008 restated: RMB0.39 calculated based on a weighted average of approximately 4,605 million shares in issue).

CAPITAL STRUCTURE, GEARING RATIO AND FUNDING

On 10 June 2009, the Company entered into a Subscription Agreement to place and subsequently issue 418,500,000 new shares at the price of HK\$4.87 per share. The gross proceeds of the Subscription were approximately HK\$2,038 million (equivalent to RMB1,797 million). The transaction received strong demand from global investors and was fully subscribed within the first 20 minutes of book building.

On 16 December 2009, the Group signed an unsecured HK\$1 billion three-year term syndicated loan agreement with a consortium of nine leading international banks and financial institutions. The event casted a strong vote of confidence in Shui On Land's solid development competence and business prospects by banking industries.

As of 31 December 2009, the Group's utilised bank borrowings amounted to approximately RMB10,203 million (31 December 2008: RMB8,198 million). The structure of the Group's bank borrowings as of 31 December 2009 is summarised below:

Currency denomination	Total (in RMB equivalent)	Due within one year	Due in more than one year but not exceeding two years	Due in more than two years but not exceeding five years	Due in more than five years
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
RMB	3,595	212	714	2,182	487
HK\$	6,349	1,627	220	4,502	–
US\$	259	259	–	–	–
Total	10,203	2,098	934	6,684	487

Total cash and bank deposits amounted to RMB4,947 million as of 31 December 2009 (31 December 2008: RMB3,380 million), which included RMB2,019 million (31 December 2008: RMB1,709 million) of deposits pledged to banks. The increase in our cash balance was mainly due to the receipt of the proceeds of the Subscription of RMB1,797 million.

As of 31 December 2009, the Group's net debt balance was RMB5,256 million (31 December 2008: RMB4,818 million) and its total equity was RMB22,574 million (31 December 2008 restated: RMB18,175 million). The Group's net gearing ratio was 23% as of 31 December 2009 (31 December 2008 restated: 27%), calculated on the basis of the excess of the sum of bank loans net of bank balances and cash over the total equity.

The Group's rental and affiliated income for 2009 expressed as a percentage of the Group's total interest costs before capitalisation to properties under development was 84% (2008: 72%).

Total undrawn banking facilities available to the Group were approximately RMB898 million as of 31 December 2009 (31 December 2008: RMB340 million). The Group has further obtained new bank facilities of RMB7,164 million, of which RMB1,056 million are unsecured. In addition, the Group has already refinanced certain bank borrowings repayable in 2010 of RMB1,532 million. These facilities will be used to support the continuous growth of business in 2010.

PLEDGED ASSETS

As of 31 December 2009, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable and bank and cash balances totalling RMB20,877 million (31 December 2008 restated: RMB14,071 million) to secure our borrowings of RMB9,217 million (31 December 2008: RMB7,493 million).

CAPITAL AND OTHER DEVELOPMENT RELATED COMMITMENTS

As of 31 December 2009, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB10,094 million (31 December 2008: RMB5,418 million). The amount of commitment as of 31 December 2009 included the estimated costs of relocation for the development of certain educational facilities to be located in the Taipingqiao area of Luwan District in Shanghai as compensation for the removal of those educational facilities originally located in that area.

In addition, the Group entered into a Confirmation Agreement with the Land Exchange Centre affirming the Group's successful bid for a plot of land in Foshan. Under this Confirmation Agreement, the total consideration for acquiring the land use rights is RMB7,510 million, against which RMB3,186 million had been paid to the Land Exchange Centre up to 31 December 2009. The remaining balance of RMB4,324 million will be paid in stages in line with relocation progress.

The Group has agreed to provide further funding to the associates for the development of Dalian Tiandi project, whereby the Group will ultimately hold a 48% effective interest. As of 31 December 2009, the Group has issued guarantees amounting to RMB528 million (31 December 2008: RMB528 million) to banks in respect of banking facilities granted to the associates, from which the associates have drawn down bank loans amounting to RMB480 million (31 December 2008: RMB480 million). In addition, the Group has a commitment to provide further funding to the associates amounting to approximately RMB121 million (31 December 2008: RMB121 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND SOURCES OF FUNDING

In January 2010, the Group signed a purchase agreement with a third party to acquire a special purpose company that holds the land use rights of two lots of land adjacent to the existing Rui Hong Xin Cheng project with GFA of 176,000 sq.m.. In March 2010, the Group successfully bid for a parcel of land in the Shanghai KIC project with developable GFA of 159,600 sq.m. at a consideration of RMB1,264 million. The total development costs of these two investments will be funded by bank financing and internal resources.

We shall continue to focus on the development of our existing landbank of prime locations. While our primary focus is on city-core development projects and integrated residential development projects, we shall, at appropriate times, consider other opportunities to participate in projects of various scale where we can leverage our competitive strengths. We may also pursue other plans, including other ways of acquiring land development rights for the purpose of undertaking property projects or other ways to increase the scale of our operations by leveraging on our master planning expertise.

CASH FLOW MANAGEMENT AND LIQUIDITY RISK

The management of cash flow in the Group is the responsibility of the Group's treasury function at the corporate level.

Our objective is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings and other borrowings, where appropriate. We are comfortable with our present financial and liquidity position and will continue to maintain a reasonable liquidity buffer to ensure sufficient funds are available to meet liquidity requirements at all time.

EXCHANGE RATE AND INTEREST RATE RISKS

The revenue of the Group is denominated in Renminbi. A portion of the revenue, however, is converted into other currencies to meet our foreign currency denominated debt obligations, such as the bank borrowings denominated in Hong Kong dollars and US dollars. As a result, the Group is exposed to fluctuations in foreign exchange rates.

Considering that a relatively stable currency regime with regard to the Renminbi is maintained by the Central Government, which only allows the exchange rate to fluctuate within a narrow range going forward, the Group expects that the fluctuation of the exchange rates between Renminbi and Hong Kong dollars and US dollars may not be significant in the short to medium term.

The Group's exposure to interest rate risk results from fluctuation in interest rates. Most of the bank borrowings of the Group consist of variable rate debt obligations with original maturities ranging from two to four years for project construction loans; and two to ten years for mortgage loans. Increase in interest rates would increase interest expenses relating to the outstanding variable rate borrowings and cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the debt obligations.

At 31 December 2009, the Group has two outstanding mortgage loans that bear variable interests linked to the Hong Kong Inter-bank Borrowing Rate. Pursuant to the loan agreements of these mortgage loans, the Group is required to hedge against the variability of cash flow arising from interest rate fluctuations. Accordingly, the Group has entered into interest rate swaps in which the Group would receive interest at variable rates at the Hong Kong Inter-bank Borrowing Rate and pay interest at fixed rates ranging from 3.32% to 3.58% based on the notional amounts of HK\$4,581 million in aggregate.

Save as disclosed above, the Group did not hold any other derivative financial instruments as of 31 December 2009. The Group continues to monitor its exposure to interest rate and exchange rate risks closely and may employ derivative financial instruments to hedge against the risks exposed when necessary.

MARKET OUTLOOK

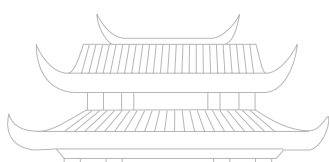
House prices rose quickly last year on the back of economic recovery and supportive credit policies. Prospects remain promising in the cities where our development projects are located.

The IMF's recent revision of its China GDP growth forecast to 10.0% in 2010 exemplifies heightened optimism among forecasters regarding China's economic outlook. The central government is beginning to recalibrate policy in response to the improving domestic economic situation. In view of the fragile state of the global recovery, it is reported that the government will remain vigilant as it unwinds stimulus policies at a measured pace, while retaining flexibility to adjust its policy stance should circumstances dictate.

House prices rose quickly last year on the back of economic recovery and supportive credit policies leading to growing public concerns. In response, the State Council late last year announced measures intended to restore a balance between supply and demand, thus providing the conditions for steady price growth broadly in line with household income. The focus of the present round of policy is to expedite the pace of housing development, including building five million affordable homes and renovating two million low-quality houses this year.

Prospects remain promising in the cities where our development projects are located, namely Wuhan, Foshan, Chongqing, Dalian, Shanghai and Hangzhou. Wuhan secured State Council approval on 8 March for its positioning as the hub city of Central China, and its economy has advanced relative to its peers, rising to fifth place among Chinese mainland sub-provincial cities in terms of GDP last year from eighth place in 2008. The opening of the Wuhan-Guangzhou high-speed rail line on 26 December 2009 halved the journey time between the two cities to less than three hours, placing Wuhan at the core of the rapidly growing national high-speed rail network. Foshan is an economic powerhouse that is relatively unknown overseas but moved up six places to rank fifth in terms of economic growth rate among the largest 20 Chinese mainland cities in 2009. Integration with neighbouring Guangzhou is proceeding apace with the expected opening this year of rapid transit links that will cut the journey time between the two cities to around half an hour, and lead to the formation of an urban megacity with a combined population of over 16 million.

Chongqing's status as the pre-eminent regional economic centre of West China was cemented when it was designated one of China's five national central cities





Show flat of The Riverview at Wuhan Tiandi

in the “national urban system plan” recently formulated by the Ministry of Housing and Urban-Rural Development (MOHURD). The national central cities — Beijing, Tianjin, Shanghai and Guangzhou — are all located in coastal areas, making Chongqing the only city with this status in West and Central China. Dalian’s software and service outsourcing sector posted 30.7% revenue growth in 2009, benefiting from robust domestic demand as well as corporate cost-cutting in a sluggish global economy. The Dalian Tiandi project, as a part of Dalian Software Park Phase II, is poised to benefit from this sector’s outstanding growth. Going forward, the sector will benefit from the long-term plan to develop Dalian’s regional financial services function, including attracting financial support service centres.

Shanghai is broadening its economic model by encouraging the development of innovation-related sectors encompassing technology research, architectural design, culture and fashion. Shanghai was awarded the title of “design city” in February 2010 by the United Nations Education, Scientific and Cultural Organisation. The Knowledge and Innovation Community is therefore ideally placed to serve this trend. Meanwhile, Shanghai is expecting domestic tourist numbers to increase by 45% to 180 million this year, in addition to 7 million overseas

visitors, as it hosts the Expo 2010, providing ample business for the top class restaurants, bars, shops and boutiques located at our Xintiandi development. Neighbouring city Hangzhou will stage the West Lake International Expo comprising a series of forums and exhibitions on World-Expo related themes. The Xihu Tiandi project, located on the West Lake, is a retail, leisure and lifestyle destination that is well placed to benefit from the influx of an estimated 10 million World Expo visitors to Hangzhou this year.

Although the changing policy environment may lead to short-term fluctuations in housing sales, the industry’s fundamentals remain strong. The city-centre location of the majority of our projects represents a competitive edge that will support sales even during times of market uncertainty. We believe our unique business model and proven track records in master planning will enable us to deliver superb value and quality to our customers. Our portfolio of retail properties, including Xintiandi-style developments, will benefit from China’s economic policies to spur consumption and boost household income. We believe the prospects for our projects are excellent, and we will accelerate the pace of development in line with our aspiration to become the premier innovative property developer in the Chinese Mainland.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of the Company is pleased to present the Corporate Governance Report for the year ended 31 December 2009.

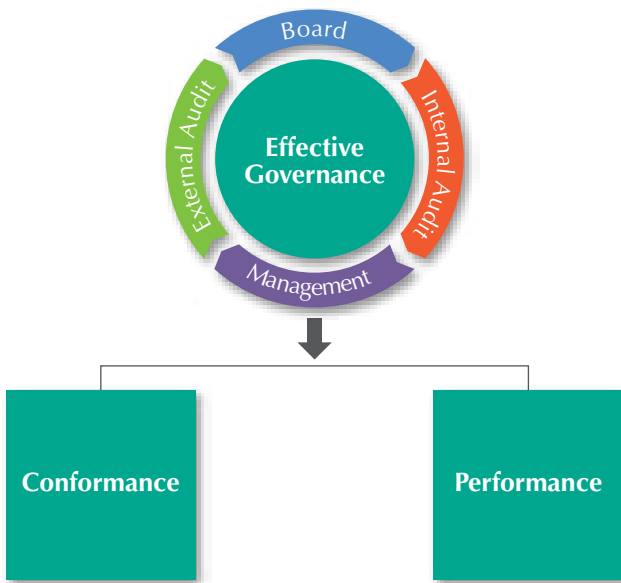
The Company is committed to enhancing its corporate governance practices appropriately to the conduct and growth of its business, and to pursue a right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with the Code on Corporate Governance Practices and are aligned with the latest developments. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholders’ value, and stakeholders’ confidence in the Company.

In reflection of this, the Company was proud to receive a number of awards from various organisations for high standards of corporate governance and investor relations for the financial year ended 31 December 2009. These awards are listed in the “Awards Received” section of this report.



The scenic West Lake

SHUI ON LAND CORPORATE GOVERNANCE FRAMEWORK



The Company pursues a right balance between conformance and performance in its corporate governance.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of the various procedures and documentation, which are detailed in this report. The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the year ended 31 December 2009, except for certain deviations as specified with considered reasons explained below.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performances. The Board has reserved for its decision or consideration matters concerning principally the Company's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointments or re-appointments, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the daily operations and administration of the Company to the management. The respective functions of the Board and management of the Company have been formalised and set out in a written document. The Board will review this document once a year. In addition, the Board has established board respective committees and has delegated to these board committees various responsibilities set out in their terms of reference.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. In addition, a written procedure has been established to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Board has the full support of the Chief Executive Officer, Managing Directors and the senior management in discharging its responsibilities.

BOARD COMPOSITION

The Directors of the Company during the year and up to the date of this report are set out in the "Directors" section of the Directors' Report on pages 100 to 112. During the year ended 31 December 2009, the majority of the members of the Board of Directors of the Company were Independent Non-executive Directors (INEDs). The Board is currently made up of ten members in total, with three Executive Directors, one Non-executive Director and six INEDs.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making.

The current Board of the Company comprises the following Directors:

Executive Directors:

Mr. Vincent H. S. LO
(Chairman of the Board, Chief Executive Officer, member of Remuneration Committee, and Chairman of Nomination and Finance Committees)

Mr. Louis H. W. WONG
(Managing Director – Project Management and member of Finance Committee)

Mr. Daniel Y. K. WAN
(Managing Director & Chief Financial Officer, and member of Finance Committee)

Non-executive Director:

The Honourable LEUNG Chun Ying

Independent Non-executive Directors (INEDs):

Sir John R. H. BOND
(Member of Nomination and Finance Committees)

Dr. Edgar W. K. CHENG
(Member of Audit Committee)

Dr. William K. L. FUNG
(Chairman of Remuneration Committee, and member of Finance Committee)

Professor Gary C. BIDDLE
(Chairman of Audit Committee, and member of Remuneration, Nomination and Finance Committees)

Dr. Roger L. McCARTHY
(Member of Audit Committee)

Mr. David J. SHAW

The brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 94 to 99.

Currently, the Company has six INEDs representing more than half of the Board. Three of the six INEDs have the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. None of the members of the Board is related to another.

All Directors, including the Non-executive Director and INEDs, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board to ensure its efficient and effective functioning. INEDs are invited to serve on the Audit, Remuneration, Nomination and Finance Committees of the Company. Their active participation in Board and committee meetings brings independent judgment to bear on issues relating to the Company's strategy, performance and management processes, taking into account the interests of all shareholders.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs.

Each of the Non-executive Directors of the Company is appointed for a specific term of three years and shall be subject to retirement by rotation once every three years.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first annual general meeting after their appointment and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

BOARD AND BOARD COMMITTEES MEETINGS NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The Company held four full board meetings in the year 2009 and has already set a schedule for its regular board meetings and committee meetings in the year 2010 in order to comply with the CG Code.

The attendance records of each Director at the board meetings are set out below:

Name of Directors	Attendance/ Number of Meetings
Mr. Vincent H. S. LO (Chairman)	4/4
Mr. Louis H. W. WONG	4/4
Mr. Aloysius T. S. LEE (Resigned with effect 16 December 2009)	4/4
Sir John R. H. BOND	3/4
The Honourable LEUNG Chun Ying	4/4
Dr. Edgar W. K. CHENG	4/4
Dr. William K. L. FUNG	4/4
Professor Gary C. BIDDLE	4/4
Dr. Roger L. McCARTHY	4/4
Mr. David J. SHAW	4/4

PRACTICE AND CONDUCT OF MEETINGS

All Directors are given an opportunity to include matters in the agenda for regular board meetings. Annual meeting schedules and the draft agenda of each meeting are made available to Directors in advance. Board and committee meetings are scheduled at least one year in advance to facilitate the maximum attendance of Directors.

Notices of regular board meetings are served to all Directors at least 14 days before the meetings. For other board and committee meetings, reasonable notice is generally given. Board papers together with appropriate, complete and reliable information are sent to all Directors at least three days before each board meeting or committee meeting to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular board meetings and when necessary, other board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current board practice, any material transaction that involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened board meeting. The interested Directors shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual.

Mr. Vincent H. S. LO, is the Chairman, CEO and the founder of the Company. The Board considers that vesting the roles of the Chairman and CEO in the same person is necessary because of the unique role and market importance of Mr. Vincent H. S. LO in the business development efforts of the Company. This vesting provides strong and consistent market leadership and is critical for the efficient business planning and decisions of the Company in its current stage of development. Furthermore, all major decisions are made in consultation with members of the Board and appropriate board committees. There are six INEDs on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place.

With the support of the Company Secretary and the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefings on issues arising at the board meetings, and that all key and appropriate issues are discussed by the Board in a similarly timely manner.

The Company will continue to review the effectiveness of the Company’s corporate governance structure and consider whether any changes, including the division of responsibilities and the roles of Chairman and CEO, are necessary in the future.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as the code regarding securities transactions by the Directors and relevant employees.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

To comply with the code provision A.5.4 of the CG Code, the Company established and adopted a Code for Securities Transactions by Relevant Employees, on no less exacting terms than the Model Code, to regulate dealings in the shares of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its shares.

No incident of non-compliance with these written guidelines by the relevant employees was noted by the Company.

BOARD COMMITTEES

In addition to the two established committees, namely, the Remuneration Committee and the Audit Committee, the Company has also established two more committees of the Board, namely, the Nomination Committee and the Finance Committee, for overseeing particular aspects of the Company’s affairs.

The four board committees of the Company are established with defined written terms of reference, approved by the Board, which set out the Committees’ major duties. The terms of reference of the board committees are posted on the Company’s website and are available to shareholders.

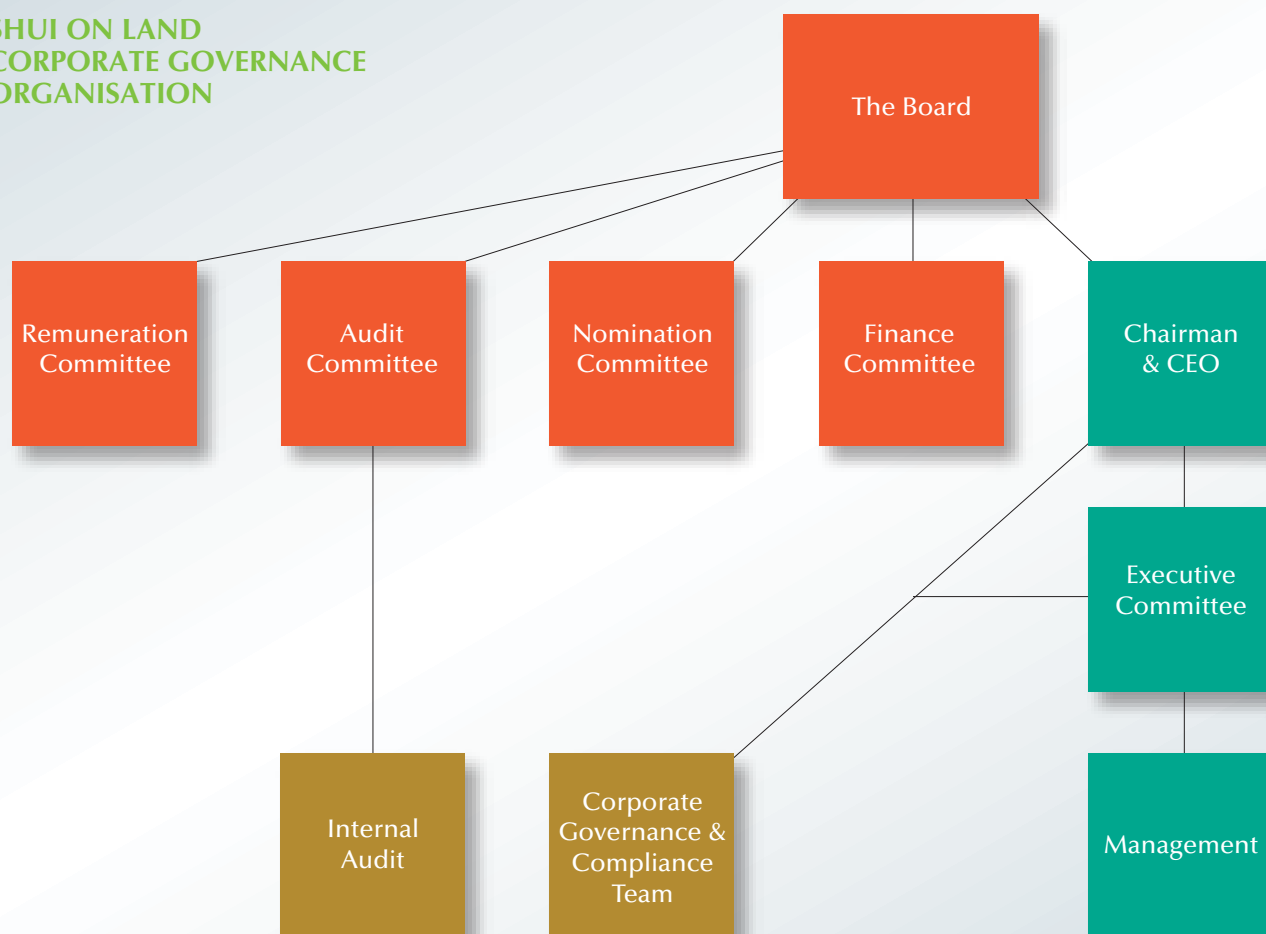
Except for the Finance Committee, the majority of the members of each board committee are INEDs. The list of the chairman and members of each board committee is set out under “Corporate Information” on page 188.

The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expense.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three members, namely Dr. William K. L. FUNG, Mr. Vincent H. S. LO and Professor Gary C. BIDDLE. Dr. William K. L. FUNG and Professor Gary C. BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. William K. L. FUNG.

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The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration packages of the Directors and senior management, and to evaluate and make recommendations on employee benefit arrangements.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and CEO of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee normally meets for reviewing the remuneration policy and structure and for determination of

the annual remuneration packages of the Executive Directors and the senior management and other related matters.

The Remuneration Committee met three times during the year ended 31 December 2009 and these meetings were attended by all three members.

The Committee reviewed the share options scheme for staff, Directors and advisers as well as the 2008 bonus to Executive Directors, senior management and staff. In addition, it reviewed the remuneration policy and resolved to revise the mid point of the salary ranges to align with the market.

Details of the remuneration of the Directors for the year ended 31 December 2009 are set out in note 10 to the financial statements.

AUDIT COMMITTEE

The Audit Committee consists of three members, namely Professor Gary C. BIDDLE, Dr. Edgar W. K. CHENG and Dr. Roger L. McCARTHY. All of them are INEDs. The chairman of the Audit Committee is Professor Gary C. BIDDLE.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial controls system, internal controls system and risk management system and associated procedures.

The Audit Committee has reviewed the Group's interim and annual results for the year ended 31 December 2009, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditors.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Audit Committee has the same view as the Board regarding the selection, appointment, resignation or dismissal of external auditors.

Two meetings were held by the Audit Committee during the year ended 31 December 2009 and these meetings were attended by all three members.

The Audit Committee reviewed the risk assessment conducted by the internal auditors on the Audit Committee Meetings and made summary reports to the Board. The Committee reviewed and commented on all draft announcements and circulars required under the Stock Exchange's rules before their formal issuance.



Audit Committee members visit our projects to keep abreast of the project development



Finance Committee (From left to right): Mr. Louis H. W. WONG, Professor Gary C. BIDDLE, Dr. William K. L. FUNG, Mr. Vincent H. S. LO (Chairman), Sir John R. H. BOND, Mr. Daniel Y. K. WAN

NOMINATION COMMITTEE

The Board established a Nomination Committee on 16 April 2009. The Nomination Committee was constituted in April 2009 with terms of reference in compliance with the recommended best practices of the CG Code. The Nomination Committee currently comprises three members, Mr. Vincent H. S. LO, Sir John R.H. BOND and Professor Gary C. BIDDLE. Sir John R.H. BOND and Professor Gary C. BIDDLE are INEDs. The Chairman of the Nomination Committee is Mr. Vincent H. S. LO.

The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

One meeting was held by the Nomination Committee during the year ended 31 December 2009 and the meeting was attended by all three members.

FINANCE COMMITTEE

The Board also established a Finance Committee on 16 April 2009. The Finance Committee was also constituted in April 2009 with well defined terms of reference that

stipulate and monitor the financial strategies, policies and guidelines of the Group. At present, the Finance Committee comprises six members, Mr. Vincent H. S. LO, Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Mr. Louis H. W. WONG and Mr. Daniel Y. K. WAN. Sir John R. H. BOND, Dr. William K. L. FUNG and Professor Gary C. BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. Vincent H. S. LO.

One meeting was held by the Finance Committee during the year ended 31 December 2009 and the attendance records are set out as below:

Name of Committee Members	Attendance/ Number of Meeting(s)
Mr. Vincent H. S. LO (Chairman)	1/1
Sir John R. H. BOND	1/1
Dr. William K. L. FUNG	1/1
Professor Gary C. BIDDLE	1/1
Mr. Louis H. W. WONG	1/1
Mr. Aloysius T. S. LEE (Resigned with effect 16 December 2009)	1/1
Mr. Daniel Y. K. WAN	1/1

RISK ASSESSMENT/MANAGEMENT STRATEGIC PLANNING

In order to make more timely decisions and focused moves, the management of the Company under the leadership of the Chairman and CEO, has formulated a Three-year Strategic Plan beginning in the second quarter of 2009. This plan is aimed at fine-tuning the previous roadmap of the Company for its strategic and sustainable growth.

The plan was finalised in the third quarter of 2009. Strategic action plans were developed by relevant executives and management to achieve these medium-term goals and objectives. The Three-year Strategic Plan expedites the development of the Company into a more project-driven and decentralised organisation.

RESOURCES PLANNING AND COST CONTROL

In order to withstand the economic turbulence of recent times, the Company set up two task forces in the last quarter of 2008 to formulate strategies and action plans for better utilisation of resources and faster response to external changes.

The Finance Re-organisation Taskforce which was chaired by the Chairman and CEO, and comprises relevant executives of the Company, continued to focus on resources planning and allocation, as well as the prioritisation of projects during the year.

The Cost Control Taskforce, which is chaired by the Managing Director – Project Management, and comprises relevant executives of the Company, continues to focus on managing costs in the short and long run, enhancement of the cost consciousness culture and behaviour of the Company, and reviewing and monitoring the Company's expenditure.

ENTERPRISE RISK MANAGEMENT

Risk assessments are conducted semi-annually by the Internal Audit Department and presented to the Company's EXCOM and the Audit Committee for review. The Company is implementing its continuous and integrated risk assessment and management framework. This enterprise risk management framework includes the introduction of Control and Risk Self-Assessment Process to the Company as an important step. This process enables the Company to change its risk assessment and management process

from a punctuated one to a continuous one; to take both a "top down" and "bottom up" approach; and to promote management's participation in, ownership of and accountability towards their relevant risk assessment and management processes.

The Audit Committee has required management to present a report on risk assessment/management at every Audit Committee meeting.

INTERNAL CONTROL

Internal audit and management conduct reviews of the effectiveness of the Company's system of internal controls, including those of its subsidiaries and major associates. The Audit Committee reviews the summary report of the internal auditors on the effectiveness of the Company's system of internal controls and reports to the Board on such summary results.

The Company is also in the course of updating its detailed internal control documentation and evaluation system in order to cope with the ongoing organisational changes. This comprises an Internal Control System (INCOS) documentation of the Company's financial and operational processes together with their key controls and weaknesses, and a Grid Rating System that scores the effectiveness of the key controls implemented.

INTERNAL AUDIT

The Chief Internal Auditor of the Internal Audit Department reports to the Chairman and CEO, and has full and free access to the Audit Committee. The internal audit charter allows the internal auditors to have unrestricted access to all functions, records, property and personnel while maintaining appropriate confidentiality in performing their work.

The department helps the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Internal Audit Department operates in a partnership relationship with management, preparing semi-annual audit plans based on a risk assessment methodology and upon agreement with the Company's Executive Committee (the "EXCOM") and the Audit Committee.

The Internal Audit Department issues reports to the CEO and relevant management covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit Committee together with the status of implementation of their recommendations in each Audit Committee meeting.

ANTI-FRAUD MEASURES

An Irregularities Reporting System (a whistle-blowing system) was installed for reporting on violations of the Company's Code of Conduct and Business Ethics as well as complaints about integrity related matters from staff, vendors, customers, and business partners. Telephone hotlines and special e-mail and mail boxes were set up to enable any such complaints to reach the Chairman of the Audit Committee or the Secretary of the Ethics Committee. At each Audit Committee meeting, a summary report of the complaints received and their follow up results are to be tabled for review.

An Incident Reporting Procedure was formulated to enable the systematic, timely and uniform reporting of incidents such as potential fraud to the Chief Financial Officer by personnel involved in internal control activities related to financial and/or automated information systems.

An Anti-fraud Assessment Framework was used to facilitate the annual assessment of risks on potential frauds by individual projects and departments. The results were examined and appropriate control measures were established to mitigate those risks. The annual results are to be summarised and presented to the Audit Committee for review.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2009.

The Board is responsible for overseeing the preparation of financial statements of the Company and reviewing the same to ensure that such financial statements give a true and fair view of the state of affairs of the Company and that relevant statutory requirements and applicable accounting standards are complied with.

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company that is put to the Board for approval.

The statement of the external auditors of the Company about their reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on pages 113.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2009 is set out as follows:

Services rendered for the Company	Fee paid/payable
Audit services:	HK\$ 6 million
Non-audit services:	HK\$ 2 million
Total:	HK\$ 8 million

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. The goal of our communication activities is to provide a true and fair view of the Company.

The Company leverages various channels and platforms including its annual and interim results announcement, press conferences and analyst briefings, and various industry conferences to ensure the timely release of important messages. Starting from 2009, we introduce a quarterly electronic investors' newsletter to provide more timely and relevant information pertaining to the Company's activities and market conditions.

The Company's website is regularly being updated with corporate developments. Key events regarding financial results, business developments and operations are also announced on a timely basis to investors through our corporate website, www.shuionland.com.

To maintain and improve the visibility of the Company in the financial community, the Company held numerous road shows and participated in investor conferences during the year. The management and the investor relations team met hundreds of investors personally, discussed the Company as well as its development and strategy in conference calls and video meetings.

Major Investor Relations Events in 2009/2010

2009	Event
April	Announcement of the 2008 annual results <ul style="list-style-type: none"> • Press conference • Analyst briefing 2008 annual results global road show, Hong Kong, Singapore, Middle East, the United States, the United Kingdom
May	Investor Day in Shanghai for Domestic Investors
June	JP Morgan China Investors Conference, Beijing
August	Announcement of the 2009 interim results <ul style="list-style-type: none"> • Press conference • Analyst briefing 2009 interim results road show, Hong Kong, Singapore
September	CLSA Investors Forum, Hong Kong
November	Goldman Sachs China Conference, Beijing Morgan Stanley Asia Pacific Summit, Singapore DBS Vickers Corporate Access Day, Singapore
December	CLSA Property Access Day, Hong Kong Bank of America Merrill Lynch Investors Conference, Hong Kong

2010	Event
January	Deutsche Bank Greater China Conference, Beijing DBS Vickers Pulse of Asia Investor Conference, Singapore UBS Greater China Conference, Shanghai HSBC Corporate Access Day, Hong Kong Nomura Corporate Access Day, Hong Kong Analysts Days, Chongqing and Wuhan
February	Goldman Sachs Corporate Access Day, Hong Kong and Singapore

The general meetings of the Company provide the best opportunity for exchange of views between the Board and the shareholders. The Chairman of the Board as well as Chairmen of the Audit, Remuneration and Nomination Committees or, in their absence, other members of the respective committees and, where applicable, the independent board committee, are available to answer questions at the shareholders' meetings. The chairman of the independent board committee is also available to answer questions at any general meeting about approval of a connected transaction or any other transaction that is subject to independent shareholders' approval.

To enhance communications with shareholders in the Company's annual general meetings, with effect from the Annual General Meeting held in year 2008, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Previous meetings were conducted in English with Cantonese interpretation. Most of the Directors were present at the Annual General Meeting held on 4 June 2009 and the meeting provided a useful forum to exchange views with the Board.

To further enhance and provide more direct communications with the Company's shareholders, with effect from the Annual General Meeting held in year 2008, a "Networking with Shareholders" session was conducted immediately after the Annual General Meeting. During the session, shareholders were provided with a chance to discuss matters with senior management of the Company in a face to face dialogue. Previous sessions were well attended by shareholders. The meetings included discussion of the latest business initiatives and long-term development strategy of the Company as well as answering shareholders' questions.

SHAREHOLDER RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of an individual Director.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights to demand a poll are included in all circulars to shareholders and are explained during the proceedings of meetings.

Poll results are made available by way of an announcement, which is published in accordance with the Listing Rules as soon as possible.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner.

AWARDS RECEIVED

With respect to the financial year ended 31 December 2009, the Company received several awards related to corporate governance, communications with shareholders and investors, and investor relations. These are shown in the table on this page.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We are committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, integrity, accountability, sustainable development and independence. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders to promote our transparency are naturally welcome.

LIST OF AWARDS TO SHUI ON LAND

Time of Award	Name of Award	Presented/Organised by
Corporate Governance Related		
June 2009	5th Corporate Governance Asia Recognition Awards 2009	"Corporate Governance Asia" Magazine
June 2009	Outstanding China Property Awards 2009	"Hong Kong Economic Digest" Magazine
Communications with Shareholders and Investors/Investor Relations Related		
November 2009	Best Annual Reports Awards 2009 – Citation for Design	Hong Kong Management Association
September 2009	Silver Award (Overall Annual Report – Real Estate Development/ Services Category)	ARC Awards 2009
September 2009	Silver Award (Interior Design – Real Estate Development/ Services Category)	ARC Awards 2009
September 2009	Bronze Award (Written Text – Real Estate Development/ Services Category)	ARC Awards 2009
September 2009	Bronze Award (Overall Annual Report – Property Category)	ARC Awards 2009
September 2009	Honours (Cover Photo/Design – Property Category)	ARC Awards 2009



CARING FOR THE FUTURE

We aim to build a better future together with the communities we serve. Our focus is on the sustainability of our projects and the environment as well as on individual needs and preferences. We take an active role in designing and implementing programmes that focus on enhancing social well-being, nurturing future leaders, and widening international horizons.



CORPORATE SOCIAL RESPONSIBILITIES

Shui On Land is a socially responsible and customer-centric company. Our projects and planning are based on corporate social responsibility (CSR) principles. By providing premium services and products, we are committed to building sustainable communities, creating a comfortable living environment for our customers and tenants.

Shui On Land fully complies with government regulations and urban development policies in the implementation of our projects. Our quality projects help generate high returns, being rented at a premium rate, which enables us to contribute more to community improvement and growth in the form of CSR programmes and government taxes. We improve individual's standard of living, enhance the community environment and assist our chosen cities to increase their competitiveness.

SOCIAL WELL-BEING HEALTH AND CARING

During the year, volunteers from the Dalian Tiandi project visited vulnerable children at Dalian's Children Village twice, bringing with them such items as books, clothes and stationery donated by our colleagues. This non-profitable organisation mainly serves those children whose parents are in prison.





We are committed to create a comfortable living environment via our projects and to care for the children via our volunteer programmes

Caring for the migrant workers was another priority of the year. Since 2006, the Health, Safety and Environment Committee of Wuhan Tiandi project has offered free medical consultations to over 5,000 migrant construction workers who have no national medical insurance. In 2009, around 500 construction workers received free consultations and we distributed around 200 packs of medicine as well as health care education leaflets. Further activities included a gala event with dancing, acrobatics and singing performances, basketball competitions, and movie nights.

On 8 August 2009, thousands of runners in Shanghai gathered at Jiangwan Sports Centre to participate in the "Healthy Running" campaign co-hosted by KIC. This 10-km race with the start/finish point at Jiangwan was part of the debut National Fitness Day series to commemorate the first anniversary of the Beijing Olympics.

We are discussing with the village committee ways to help residents with pre-employment skills training to meet Dalian Tiandi project's increasing demand for sophisticated labour.

EMPOWERING THE NEW GENERATION

The Group is committed to developing young talents for the long-term growth of our communities.

Following the establishment of the RMB30 million Huangnichuan Village New Village Development Fund in September 2007 through our associate Dalian Tiandi project, during the year we provided bursaries to over 330 primary to university students in Huangnichuan Village for a total amount of RMB137,000.

Under the RMB50 million IT Talents Foundation in Dalian established in 2008 by the joint donations of the Company and the Dalian government, we have provided various kinds of supports including bursaries, training and family subsidies to tertiary institution graduates and the working population in Dalian Tiandi.

In 2009, we sponsored nearly 400 outstanding university students from 23 mainland tertiary institutions by granting bursaries worth a total amount of RMB2 million. We also formed a network with over 100 software companies to arrange on-the-job-training for sponsored graduates in order to raise their competitiveness for employment. Such initiatives help nurture talents for the fast-growing IT industries in Dalian and are highly welcomed by the local community.

From 2005 to 2009, we have funded a total of RMB4.5 million scholarship to allow outstanding students of Fudan University to study at Yale University to broaden their horizons. In the summer of 2009, the fund supported

26 undergraduates for a six-week study tour in the US on subjects including Advanced English, Anthropology, Economics, Law, Biology, Art, and International Relations.

Since 2006, we have established bursaries totalling RMB800,000 for Hualongqiao district in Chongqing to support 170 year-one to year-four underprivileged university students to complete their courses.

SUPPORTING INTERNATIONAL EVENTS

The Group continues to partner with international organisations to promote sustainable urban development. In October, we signed a venue cooperative agreement with the Australian Football League (AFL) to host the first Australian football exhibition match in China at Jiangwan Stadium. We also sponsored three international DanceSport events in Shanghai organised by People's Government of Luwan District and the Shanghai Administration of Sports. These included the Shui On Cup IDSF Latin World Cup 2009 and the 19th China National DanceSport Championships.

PROMOTING HERITAGE AND CULTURAL EXCHANGE

The fostering of local heritage and international cultural exchange is at the heart of our regeneration programmes. In

2009 our Foshan project organised a Lingnan Culture Year campaign, which was launched in the Lingnan traditional festival "Passing Tongji Bridge" (行通濟) on Chinese Valentine's Day. The year-long programmes attract about a million participants and activities include the promotion of traditional handicraft, calligraphy and painting, and Cantonese opera.

The Wuhan Government of Jiang'an District, the UK's Bournemouth Borough Council Arts Development and Wuhan Tiandi project jointly organised the Wuhan Chinese-British Culture Week from 15 to 18 April. The Chinese-British Arts Exhibition attracted 3,500 visitors. British delegates and owners of The Riverview apartments joined together to plant trees for the "Wuhan Tiandi Chinese-British Friendship Forest".

Shui On Land also sponsored the First Outstanding Hong Kong People in Shanghai Programme organised by the Hong Kong Chamber of Commerce in China. This programme aims to recognise Hong Kong people in Shanghai who have excelled in professional activities and made significant contributions to the community. Five awardees were selected by the panel of judges, which included our Chairman Mr. Vincent H. S. LO.



The Group provides regular training programmes to develop our staff

NURTURING OUR PEOPLE

Among the objectives of our trainee programmes for the sustainable growth of the Group are the identification of high-calibre employees at an early stage and preparing them with custom-made programmes to take up management and leadership responsibilities.

MANAGEMENT CADET (MC) PROGRAMME

This fast-track development programme was established in 2002 for internal staff with at least three years of employment experience, focusing on their potential for taking up core management position in an accelerated time frame. As of 31 December 2009, there were 15 Management Cadets of which seven had completed the programme.

FUNCTIONAL EXECUTIVE (FE) PROGRAMME

Established in 2009, the Functional Executive Programme is designed to develop professionals and managers to eventually take on senior functional positions. A customised training programme will be designed for each Functional Executive. As of 31 December 2009, there were 12 Functional Executives.

MANAGEMENT TRAINEE (MT) PROGRAMME

Established in 1997, this programme aims to prepare fresh graduates to take up management positions. Under mentorship guidance, the trainees undergo a rigorous three-year training of personal development and management skills. The Group recruited two new members in 2009. As of 31 December 2009, there were 56 Management Trainees of which 40 had completed the programme.

GRADUATE TRAINEE (GT) PROGRAMME

Aiming to develop fresh graduates to take up relevant professional positions in the Group, this programme provides industry-specific training as well as teaching essential management techniques. Duration of the course varies for different professional streams. Throughout the programme, job rotation arrangements are made for each trainee and a six- to 12-month secondment to external professional institutions is also arranged where applicable. In 2009, in addition to the Project Management Graduate Trainees, the Group also recruited the first batch of Commercial, Legal, Human Resources, and IT Trainees. As of 31 December 2009, there were 53 Graduate Trainees of which 17 were newly recruited for our Shanghai, Chongqing, Wuhan and Foshan projects.

SUMMER INTERNSHIP PROGRAMME

Established in 2001, the programme provides four to eight weeks of summer internship opportunities for university students from both the Hong Kong SAR and the Chinese Mainland. A total of 45 students joined this summer internship programme in 2009, of which 24 applied for the "Green Path" to obtain fast access to the MT/GT recruitment process. Eventually 19 of the students successfully embarked on the "Green Path".

LEADERSHIP SHARING

As a service to our Shanghai communities, Shui On Academy co-hosted a "Solutions to Tomorrow" Leadership Conference in May with The Stephen M. Ross School of Business at the University of Michigan. The welcome speech was given by our Chairman Mr. Vincent H. S. LO, and the keynote address was given by Ms. Susan ASHFORD, Dean of Leadership at the University of Michigan. Over 10 industry leaders and renowned scholar panelists shared their views and experience on topics such as innovation, the impact of the financial crisis, and entrepreneurial leadership. More than 100 business leaders attended including Shui On Land's tenants, partners, and business communities as well as Ross alumni and Executive Education clients. This event was the first in a series planned to extend the Shui On Academy mandate beyond its internal educational role to the communities we build.

SHUI ON SEAGULL CLUB: ACTION DOES MAKE A DIFFERENCE

2009 was a fruitful year for the Shui On Seagull Club, the Group's employee volunteer organisation. Established in 2005, the Club has gone from strength to strength, organising a wide range of activities that directly benefit many people. Under the motto "Action to make a difference", the Club focuses on promoting education and caring for the underprivileged children.

RURAL EDUCATION

Over the past five years, dedicated volunteers from the Shui On Seagull Club have organised teaching for six primary schools in impoverished areas in Jiangxi and Anhui Provinces. The Club also helps the schools by providing software and hardware support for their work such as purchasing tables and chairs, repairing windows and upgrading sports facilities. By devoting their holidays to these activities, volunteers have helped develop students' sense of ethics, intelligence, physical health and artistic awareness through a series of sophisticated programmes. They also shared innovative educational methods with the students' teachers. Many other colleagues in the Group have donated computers, printers, books, stationery and toys to the children.

URBAN EDUCATION

Partnering with Junior Achievement, we help young people in the cities such as primary school children of migrant workers, secondary students who are finding their way, or university students who are seeking jobs. Our volunteers share their care, love, knowledge and experience with these students. During 2009, the Shui On Seagull Club organised several programmes for Shanghai Finance University's year-three and year-four students to obtain interview skills, as well as knowledge of correct attire and etiquette, thereby helping them to find jobs easier. Together with KIC, the Club also organised a weekend sports event at the Jiangwan



Charity cycling activity at Wuhan shows our commitment on environmental protection

Sports Centre for over 60 students from the Yolanda Hope School in Nanhui District in Shanghai, which provides education for poor students in the district.

DEBUT JOINT CHARITY WALK IN FIVE CITIES

In June, the Shui On Seagull Club organised the first joint 2009 Charity Walk in the five cities of Shanghai, Hangzhou, Chongqing, Wuhan and Foshan. Our Management also gave their support by joining in the Walk, which raised a total of RMB114,800 from over 1,800 supporters. The proceeds will be used for renovations and repairs in primary schools in Shanghai, Foshan and Chongqing, as well as for supporting five orphans in Wuhan and for a children leukemia fund in Hangzhou.

SUSTAINABLE DEVELOPMENT

As an experienced and responsible property developer, Shui On Land considers sustainability as the key to its long-term development.

RECOGNITION OF OUR SUSTAINABILITY INITIATIVES

We believe that resources should be used reasonably and with awareness to create a sustainable environment for the next generation. Since the establishment of the

Sustainable Development Committee in 2006, meetings have been regularly held to review progress in sustainable development at both the corporate and project levels; to lay down concrete implementation plans for the next phase; and to ensure that each task proceeds systematically in line with established goals.

We adhere to high standards of sustainable development in every phase of a development: from master-plan, architectural design, project and construction management, to sales and marketing and property management. We are committed to enhancing the development of each city's communal and economic environment where we have a presence. At the same time as enhancing our projects' returns, we focus on improvement of the environment as one of our key strategies to create a cleaner, more economical and safer ambience for living and working.

In line with this, we seek the highest certification of the U.S. Leadership in Energy and Environmental Design (LEED) of the U.S. Green Building Council wherever feasible and/or equivalent China based ratings when they are more appropriate for the nature of the project. Our efforts in sustainable development in 2009 achieved encouraging results and were well recognised by both local and international organisations.



Seagull Club's deliberated training programmes do help children to build up confidence



Dynamic training programmes to groom our leaders of tomorrow

Our achievements in sustainable development in 2009 at corporate and project levels:

Period	Name of award	Awarded project	Presented / organised by
January	LEED-Neighbourhood Development (ND) Pilot Version (Stage 2) Gold rating	Master-plan of Wuhan Tiandi	The U.S. Green Building Council (USGBC)
March	The American Institute of Architects San Francisco chapter – Honour Award for Urban Design 2009	Master-plan of Foshan Lingnan Tiandi	The American Institute of Architects San Francisco chapter
	MIPIM / Architectural Review Future Project Award 2009 – Regeneration and Master Planning Commended Project	Master-plan of Foshan Lingnan Tiandi	MIPIM/Architectural Review
	Pre-certification under LEED-Core & Shell (CS) Gold Level	Wuhan Tiandi	The U.S. Green Building Council (USGBC)
April	The American Institute of Architects – Honour Award for Regional & Urban Design 2009	Master-plan of Foshan Lingnan Tiandi	The American Institute of Architects
	The Grade-AA Certification of the Performance Assessment of Residential Buildings	The Riviera of Chongqing Tiandi	Chongqing Municipal Commission of Development
May	The Pioneering Company In Energy Saving And Emission Reduction 2008 in Luwan District	Shui On Land	Luwan District Government, Shanghai
December	LEED-Neighbourhood Development (ND) Pilot Version (Stage 2) Gold rating	Master-plan of Chongqing Tiandi	The U.S. Green Building Council (USGBC)
	Wuhan Excellence Residential Project Award & Technology Application and Architecture Energy Saving Award for the year 2007-2008	The Riverview (Lots A7, A9) of Wuhan Tiandi	Wuhan Real Estate Development Business Association

PIONEER ECO-FRIENDLY CUSTOMISATION APARTMENT INTRODUCED TO THE CHINESE MAINLAND

Committed to striving for excellence through innovation, the Group applies international advanced and quality design, construction techniques and material to project development. Through continuous studies and research, we seek and develop technology and resources that are most suitable for our project developments.

In 2009, Phase 3A of Rui Hung Xin Cheng (Lot 8) introduced pioneer customised apartments to the Chinese Mainland. Buyers can customise their own desired unit layouts to allow them to design their own dream homes. These innovatory apartments are a new initiative by Shui On Land to advance sustainable development. Clients are able to choose their unit layout, decoration and materials, even the location of the cable TV outlets, thereby minimising wastage and environmental pollution involved in further renovation.

At the same time, we are dedicated to studying new technologies for construction, energy-saving and environmental conservation when building customised apartments. For instance, to enable our customers to re-design their unit with maximum flexibility, we may offer lightweight partition walls, prefabricated bathroom modules and raised floors. All the materials we use meet and surpass the energy-saving standards set by the government.

“GREEN” PROCUREMENT POLICIES

In addition to demanding high standards for construction materials, we have established several strategic procurement partnerships for supplying wooden doors, flooring and air-conditioning. In line with the Group’s “green” policy, we have striven to meet the latest environmental standards in related products, such as using eco-friendly materials that have 3-10% less of volatile organic compound than usual. The Group uses energy-efficient air-conditioners that have achieved a 6-20% reduction in energy consumption.

INTELLIGENT RESOURCE MANAGEMENT

The intelligent utilisation of resources is another high priority. We use central heating and cooling systems, water pumps, and water recycling systems to save energy and water as well as to reduce emissions and waste. At the same time, during the project construction process, we recycle and re-use old building materials in order to fully utilise resources. For example, bricks and tiles dismantled from the former site of Foshan Lingnan Tiandi were preserved and re-used after special processing.

Feng Cheng Property Management Co., Ltd, our property management company, is dedicated to designing energy-saving and emission reduction measures for individual properties without compromising service standards, such as using energy-efficient bulbs and installing light sensor control systems to cut down electricity consumption. As compare with 2008, the electricity cost saving in Shui On Plaza and Corporate Avenue is RMB1.8 million in 2009.

The Group is also improving the building management system in certain existing buildings where energy performance is not yet optimal. The first trials of our new

regime were carried out in Corporate Avenue Phase 1 and Shanghai Xintiandi South Block Lot 112, with good results obtained in both energy optimisation and reduction of carbon emissions.

Experience Sharing to Advance Social Progress

The Group fully utilises all possible resources in its quest to construct buildings of the highest possible durability and eco-friendliness. We try best to use local construction materials to reduce energy consumption and emissions caused by transportation, central water recycling technology to minimise the loss of water from the land, and rainwater collection and irrigation systems to purify natural water by sophisticated land planning.

In addition to adopting “green” technology, we also actively share experience and discuss how to achieve sustainable development with industry practitioners and the public at large in order to promote community advancement. In March, Dalian Tiandi project took part in “New Buildings’ Solutions Summit China 2009” to share our experience with government leaders, major property developers and green experts. Dalian Tiandi project was also invited to participate in the US / China Green Tech Summit held in Beijing in November to promote innovative and practical solutions for a sustainable energy future. In September 2009, Shui On Land sponsored the “Greentech: A Call to Action” conference held in Shanghai, which was co-organised by American Chamber of Commerce in Shanghai and Asia Society. In October, Wuhan Tiandi launched an Eco-Living Style Show Suite to promote the project’s sustainable development features to local citizens.

FOSTERING A “GREEN” CULTURE

The Group actively promotes environmental conservation among colleagues, calling for their support to implement green principles in daily life to create a more secure and energy-efficient living and work environment. During the year, we launched a programme of “Green Office” activities to promote green measures and raise awareness in the work place. These initiatives included water-saving tips, an electricity-saving slogan campaign, a paper collection campaign and the recycling of used batteries. Due to these concerted efforts, paper consumption at Shanghai Headquarters (25/F & 26/F of Shui On Plaza) was lowered by 18% from 2008 to 2009, and the water consumption in Shui On Plaza was reduced by 11% over the same period.

Members of Shui On Seagull Club



SUSTAINABLE DEVELOPMENT INITIATIVES:

Corporate	Achievement/Target-Green Building Certification	Features
1. Shui On Land Ltd HQ – 26/F, Shui On Plaza	Achieved LEED-Commercial Interiors (CI) Silver Level	CO ₂ sensor to increase indoor air quality; daylight sensors; addition of task lights; water conserving sanitary fixtures.
2. Shui On Land Ltd HQ – 25/F, Shui On Plaza	Achieved LEED- Commercial Interiors (CI) Silver Level	
Projects – Master-planning Stage	Achievement/Target-Green Building Certification	Features
1. Wuhan	Achieved LEED-Neighbourhood Development (ND) Pilot Version (Stage 2) Gold rating	Energy, water and waste savings by mixing land uses, connecting to public transit systems; utilizing existing cultural and architectural characteristics, building at appropriate densities and orienting the development to maximize solar and wind access; district-wide infrastructure, including centralized heating and cooling, water source heat pumps, rainwater collection and recycling, and comprehensive green roof systems.
2. Chongqing	Achieved LEED-Neighbourhood Development (ND) Pilot Version (Stage 2) Gold rating	
3. Dalian	Target to achieve the highest feasible LEED-ND rating for Huangnichuan	Encourage use of public transit systems and appropriate development densities to preserve the unique natural environment; orient buildings to maximize natural wind ventilation to mitigate temperature extremes; use of solar and wind energy for solar hot water system and wind turbines, non-potable rainwater system, grey water recycling and green roof; carbon assessment for master plan, encourage low carbon life style.
4. Foshan	Target to achieve LEED-ND Gold rating	City core site selection with high existing development density and small pedestrian-friendly blocks; preservation and adaptive reuse of 22 heritage architecture sites and numerous historic buildings; integrated public transport systems; improved indoor air quality through building orientation and wind harvesting; high performance building fabric; reuse and recycling of project construction materials; use of solar energy and daylight, centralized air conditioning; green roof and green wall, rainwater recycling; carbon assessment for master-plan, encourage low carbon life style.
Projects – Stage of Development	Achievement/Target – Green Building Certification	Features
1. Xihu Tiandi, Hangzhou (Entertainment & Retail)	Achieved LEED-Core & Shell (CS) Pre-certification at Platinum Level	Natural ventilation; earth cooling; radiant cooling/heating; rain water collection & recycling; photo voltaic for indoor public and sign lighting system; green roof.
2. Wuhan Tiandi Lot A4, Wuhan (Entertainment & Retail)	Achieved LEED-Core & Shell (CS) Pre-certification at Gold Level	Outdoor radiant cooling/heating; outdoor spot cooling/heating; rain water collection & recycling; green roof; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water-saving sanitary fittings.
3. Wuhan Tiandi Lot A5, Wuhan (Office)	Registered for LEED-Core & Shell (CS) Pre-certification at Gold Level	Increased green ratio; high performance glass curtain wall; low flow plumbing fixtures and water-saving fittings; low emitting materials / finishes; high performance HVAC system.
4. Chongqing Tiandi Lot B3, Chongqing (Entertainment & Retail)	Achieved LEED-Core & Shell (CS) Pre-certification at Gold Level	Outdoor radiant cooling; water source heat pump; rainwater collection & recycling; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water-saving sanitary fittings.
5. Chongqing Tiandi Lot B-11, Chongqing (Office; Hotel & Retail)	Target to achieve LEED-Core & Shell (CS) Certification at Gold Level; Phase 1 achieved Pre-certification at Gold Level	High performance glass curtain wall; high efficiency HVAC system with variable primary flow system; CO ₂ sensors; daylight control; occupancy sensors; heat recovery; high performance lighting with low LPD; 40% reduction in potable water use.
6. Taipingqiao Lot 126/127, Shanghai (Office & Retail)	Lot 126 achieved LEED-Core & Shell (CS) Pre-certification at Gold Level. Lot 127 registered for Pre-certification	High efficiency HVAC system; improved indoor air quality with CO ₂ sensor; low-flow plumbing fixtures and water-saving sanitary fittings; high performance curtain wall with shading devices; light pollution reduction; low-emitting material (low VOC) finishes.
7. Rainbow City Lot 4, Shanghai (Residential & Retail)	Registered for Chinese Green Building 2 Star Certification	External wall insulation, grey water collection & recycling; photo voltaic for landscape lighting; water-saving landscape irrigation system; double Low-E coated glazing window with thermal break; water-saving sanitary fittings.
8. Rainbow City Lot 6, Shanghai (Residential & Retail)	Target to achieve Chinese Green Building 2 Star Certification	To be decided.
9. KIC Plaza Phase II, Shanghai (Office)	Registered for LEED-Core & Shell (CS) Pre-certification at Silver Level	Double Low-E coated glazing; low-emitting materials; improved indoor air quality with CO ₂ sensor; low-flow plumbing fixtures and water saving sanitary fittings.
10. KIC Lot 5-5/5-7/5-8, Shanghai (Office)	Registered for LEED-Core & Shell (CS) Pre-Certification at Gold Level	Double Low-E coated glazing; low emitting materials; low-flow plumbing fixtures and water-saving sanitary fittings; hybrid ventilation; daylight control & occupancy sensor; high performance chillers; heat recovery; rain water recovery.
11. KIC Village Phase II, Lot 7-7/7-9, Shanghai (Office & Residential)	Registered for Chinese Green Building 2 Star Certification	External wall insulation, rainwater collection & recycling; photo voltaic for landscape lighting; water-saving landscape irrigation system; double Low-E coated glazing window with thermal break; water-saving sanitary fittings.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

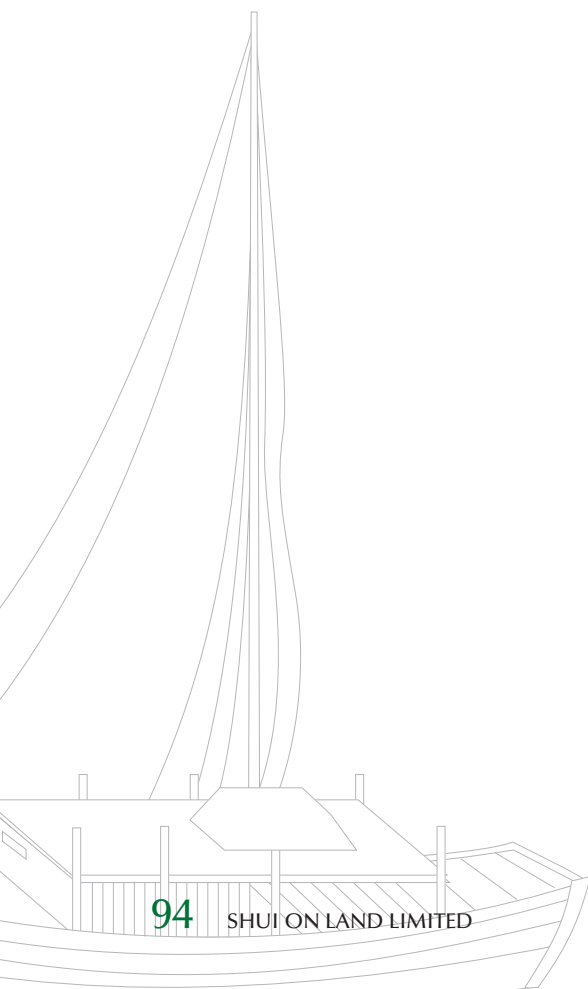
EXECUTIVE DIRECTORS

Mr. Vincent H. S. LO, GBS, JP

aged 62, has served as our Chairman and Chief Executive Officer since the inception of our Company in February 2004. He is Chairman of the Shui On Group, which he founded in 1971, Chairman of Shui On Construction and Materials Limited ("SOCAM"), a Non-executive Director of Great Eagle Holdings Limited and a Non-executive Director of Hang Seng Bank Limited.

Mr. Lo has been honoured for his entrepreneurial endeavours with the international prestigious business award "Ernst & Young Entrepreneur Of The Year 2009" in the China Real Estate Category, and also been chosen as the grand country award winner among the 12 category winners. He was also awarded the Gold Bauhinia Star (GBS) in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR). In 1999, Mr. Lo was made an Honorary Citizen of Shanghai. He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005.

In addition to his business capacity, Mr. Lo has been active in community services. He participated in the preparatory works of the establishment of the Hong Kong Special Administrative Region. He currently serves as a Member of The Eleventh National Committee of the Chinese People's Political Consultative Conference, the Hong Kong's representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council, the President of Shanghai-Hong Kong Council for the Promotion and Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, the Honorary Life President of the Business and Professionals Federation of Hong Kong, a Vice Chairman of the Chamber of International Commerce Shanghai and the Honorary Court Chairman of The Hong Kong University of Science and Technology.





Mr. Vincent H. S. LO



Mr. Daniel Y. K. WAN



Mr. Louis H. W. WONG



The Honourable LEUNG Chun Ying

Mr. Daniel Y. K. WAN

aged 51, is the Managing Director and Chief Financial Officer of the Company responsible for all aspects relating to our finance and accounting, legal, company secretarial and information technology affairs. He is also responsible for the day-to-day management of the Company together with the other Managing Directors. Mr. Wan joined the Company in March 2009. He has extensive experience in the financial industry with over 20 years in senior management positions. Prior to joining the Company, Mr. Wan was the General Manager and Group Chief Financial Officer of The Bank of East Asia, Ltd.

Mr. Wan holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Business Administration degree from The University of Wales. He is a fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales. Mr. Wan was a member of the Accounting Standards Advisory Panel of the Hong Kong Society of Accountants, member of the Auditing Standards Committee of the Hong Kong Society of Accountants, member of the Board of Review (Inland Revenue), member of the Small and Medium Enterprises Committee, member of the Travel Industry Compensation Fund Management Board, Chairman of the Investment Committee of the Travel Industry Compensation Fund and part-time member of the Central Policy Unit.

Mr. Louis H. W. WONG

aged 59, is Managing Director – Project Management and has served as an Executive Director of the Company since October 2008. He is responsible for all project management matters of the Company. Mr. Wong is responsible for the day-to-day management of the Company together with the other Managing Directors. Mr. Wong joined the Shui On Group in 1981. From November 2002 until May 2004, he was Managing Director of Shui On Properties Limited. He was previously a Non-executive Director of SOCAM and a Director of Shui On Company Limited. He is currently a member of the Chinese People's Political Consultative Conference Committee of Luwan District of Shanghai, Vice President of the Shanghai Real Estate Trade Association and Vice President of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Ltd. He has also served as a member of the Construction Industry Training Authority, the First Vice President of the Hong Kong Construction Association, a Director of the Real Estate Developers Association of Hong Kong, a member of the Construction Advisory Board in Hong Kong, Chairman of the Departmental Advisory Committee for the Department of Building and Construction of the City University of Hong Kong, a member of the Provisional Construction Industry Co-ordination Board, a governing council member of the Construction Industry Institute of Hong Kong, a member of the Occupational Safety and Health Council in Hong Kong, a member of the Corruption Prevention Advisory Committee of the Independent

Commission Against Corruption and Honorary President of the Hong Kong Institution of Construction Engineers. He holds a Bachelor of Science degree in Civil Engineering from the University of Manchester and is a fellow member of the Institution of Civil Engineers, fellow member of the Chartered Institute of Building and a member of the Hong Kong Institution of Engineers.

NON-EXECUTIVE DIRECTOR

The Honourable LEUNG Chun Ying, GBS, JP

aged 55, has served as an Independent Non-executive Director of our Company since May 2006 and was re-designated as a Non-executive Director with effect from 12 January 2007. He is a Director of DTZ Holdings plc ("DTZ") and Chairman of DTZ in Asia Pacific. Mr. Leung is the Convenor of the, non-official members, Executive Council of Hong Kong. He is also a member of the National Standing Committee of the Chinese People's Political Consultative Conference, a member and Chairman of the Council, City University, a member of the Court of City University, Chairman of the Coalition of Professional Services and Chairman of One Country Two Systems Research Institute Limited. He is also a Non-executive Director of Sing Tao News Corporation Limited. Mr. Leung holds a Bachelor of Science degree in Valuation and Estate Management from Bristol Polytechnic, England. He is an Honorary Doctor of Business Administration, University of the West of England, an Honorary Doctor of Business Administration, Hong Kong Polytechnic University, and a fellow of the Hong Kong Institute of Surveyors.



Sir John R. H. BOND



Dr. Edgar W. K. CHENG



Dr. William K. L. FUNG

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sir John R. H. BOND

aged 68, has served as an Independent Non-executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings plc and was with HSBC from 1961 until May 2006. He is Chairman of Vodafone Group Plc, a Non-executive Director of A. P. Moller Maersk and an Advisory Director of Northern Trust Corporation. He is also a member of the Mayor of Shanghai's International Business Leaders' Advisory Council, a participant in the China Development Forum, a member of the International Advisory Board to the Tsinghua University School of Economics and Management and a member of the Mitsubishi International Advisory Committee.

Dr. Edgar W. K. CHENG

aged 66, has served as an Independent Non-executive Director of our Company since September 2006. He has pursued several careers in the fields of medicine, public service and business and finance in the United States and Hong Kong over the past 38 years. A graduate from the University of Notre Dame and the Medical College of Wisconsin, USA, Dr. Cheng was Clinical Associate Professor of Medicine at Cornell University Medical College and practised medicine and conducted clinical research at the Memorial Sloan-Kettering Cancer Centre in New York. A former Chairman of the University Grants Commission

in Hong Kong, a former member of the Education Commission and a former Chairman of the Council of The Chinese University of Hong Kong, Dr. Cheng is currently Chairman of the World-Wide Investment Co. Limited and has been in other financial market positions such as Chairman of The Stock Exchange of Hong Kong Limited, Vice-chairman and Non-executive Director of Hang Seng Bank Limited, Vice President of the International Federation of Stock Exchange, Founding Chairman of the Hong Kong Securities Institute, a member of the board of directors of the Hong Kong Futures Exchange Limited, a member of the Conference Board's Global Advisory Council, an Independent Director of Goldman Sachs Guo Hua Securities Co. Limited, a member of the board of directors of the Hong Kong Institute for Monetary Research, an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited and an Independent Non-executive Director of American International Assurance Co. Limited. He is currently an Independent Non-executive Director of CNOOC Limited. Dr. Cheng served as the Head of the Central Policy Unit of the Government of Hong Kong Special Administrative Region from 1999 to 2001. He was also a member of the Commission on Strategic Development, a member of the Greater Pearl River Delta Business Council and Chairman of the Council for Sustainable Development. He is currently a member of the Judicial Officers Recommendation

Commission. Dr. Cheng also plays an active role in Hong Kong-China affairs. He was appointed by the PRC Government as a Hong Kong Affairs Advisor (1991 – 1997). He became a member of the Preparatory Committee and also the Selection Committee for the Hong Kong Special Administrative Region of the National People's Congress (1996 – 1997). At present, he is a member of The Eleventh National Committee of the Chinese People's Political Consultative Conference.

Dr. William K. L. FUNG, SBS, JP

aged 61, has served as an Independent Non-executive Director of our Company since May 2006. Dr. Fung is Group Managing Director of Li & Fung Limited and has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce, Hong Kong Exporters' Association and Pacific Economic Cooperation Committee. He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Dr. Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred Honorary Doctorate degrees of Business Administration by Hong Kong University of Science and Technology and by the Hong Kong Polytechnic University. Dr. Fung is a Non-executive Director of HSBC Holdings plc, an Independent Non-executive Director of VTech Holdings Limited, an Independent Director of



Professor Gary C. BIDDLE



Dr. Roger L. McCARTHY



Mr. David J. SHAW

Singapore Airlines Limited since 1 December 2009 and an Independent Non-executive Director of Sun Hung Kai Properties Limited since 1 February 2010. He is also a Non-executive Director of other listed Li & Fung group companies including Convenience Retail Asia Limited, Integrated Distribution Services Group Limited and Trinity Limited which was listed on The Stock Exchange of Hong Kong Limited on 3 November 2009.

Professor Gary C. BIDDLE

aged 58, has served as an Independent Non-executive Director of our Company since May 2006. Professor Biddle is HKT Chair Professor of Accounting at The University of Hong Kong. Formerly he served as Dean of the Faculty of Business and Economics of The University of Hong Kong and as Council Member, Court Member, and Associate Dean of the School of Business and Management of Hong Kong University of Science and Technology. Professor Biddle obtained his MBA and Ph.D. degrees from the University of Chicago. Previously he served as professor at University of Chicago and at University of Washington, and as visiting professor at China Europe International Business School and at IMD Business School in Switzerland. He is a member of the American Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants, Washington Society of Certified Public Accountants, and he is past President and co-founding council member of the Hong Kong Academic Accounting Association. Professor Biddle publishes

in the world's leading journals on topics including performance measurement, valuation and value creation and works with leading companies and business schools worldwide. Professor Biddle is also an Independent Non-executive Director of Kingdee International Software Group Company Limited.

Dr. Roger L. McCARTHY

aged 61, has served as Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is currently the principal of McCarthy Engineering. He was formerly Chairman Emeritus of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou) (毅博科技諮詢(杭州)有限公司), a wholly owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was

appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is one of approximately 160 Mechanical Engineers elected to the US National Academy of Engineering. He currently serves on the External Advisory Boards of the Department of Mechanical Engineering at the University of Michigan and the Material Sciences Department at Stanford University, and he delivered the 2008 commencement address for the University of Michigan's College of Engineering. He is also the longest serving member of the Visiting Committee for the Mechanical Engineering Department at the Massachusetts Institute of Technology (MIT).

Mr. David J. SHAW

aged 63, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw is employed by the HSBC Group as Adviser to the Board of HSBC Holdings plc, a London-based appointment which he took up in June 1998. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is a Non-executive Director of HSBC Private Banking Holdings (Suisse) SA and The Bank of Bermuda Limited, which are companies within the HSBC Group. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

SENIOR MANAGEMENT

Mr. Freddy C. K. LEE

aged 48, is Director – Wuhan and Foshan and is also the Managing Director of Shui On Development Limited. Mr. Lee joined the Shui On Group in 1986 and has over 15 years of working experience in construction management and 9 years of working experience in property development in the People's Republic of China. Besides being responsible for all aspects of our projects in Wuhan and Foshan, Mr. Lee is responsible for the implementation of the Company's Three-Year Plan. Mr. Lee holds a Master's degree in Construction Management from the City University of Hong Kong and a Bachelor's degree in Quantity Surveying from Reading University, England. Mr. Lee is currently a member of the Royal Institution of Chartered Surveyors in the United Kingdom and a member of the Hong Kong Institute of Surveyors.

Mr. HUI Shing Sun

aged 54, is Director of Projects of our Company and is also an Executive Director of Shui On Development Limited. Mr. Hui is responsible for exploring the development of very sizable new projects in Shanghai. Besides his current responsibilities in the Rui Hong Xin Cheng project and the Taipingqiao project, he is also responsible for Hangzhou project and the construction management of Lots 107 and 108 with other general managers. Mr. Hui joined the Shui On Group in 1982 and has over 27 years of working experience in project

management. Mr. Hui holds a Bachelor of Science degree in Architectural Studies and Structural Design from the University of Aston, England.

Mr. TANG Ka Wah

aged 50, is Director – Chongqing and is also an Executive Director of Shui On Development Limited. He is responsible for all aspects of our project in Chongqing. He joined the Shui On Group in 1985 and has over 24 years of working experience in the construction industry. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers. Mr. Tang is a chartered engineer. He holds a Bachelor's degree in Engineering from The University of Hong Kong and a Master's degree in Business Administration – E-Commerce from the West Coast Institute of Management & Technology, West Australia.

Mr. Clement C. C. LAU

aged 60, is Director of Project Planning and Design. He is responsible for project planning and design of our Company's development projects. He joined our Company in August 2004. Prior to that, from 1994 he was Deputy Director of Wong Tung & Partners Ltd. and Wong & Tung International Ltd. He is currently a chartered member of the Royal Institute of British Architects, a member of the Royal Australian Institute of Architects and a fellow member of the Hong Kong Institute of Architects. He is also a registered architect in Hong Kong and China. Mr. Lau holds degrees in Bachelor of Arts (Architectural Studies) and Bachelor of Architecture from The University of Hong Kong.

Mr. Charles W. M. CHAN

aged 54, is Director – Projects and is responsible for the Dalian Tiandi project and KIC project. He joined the Shui On Group in January 2004. Prior to joining our Company, Mr. Chan was Deputy Managing Director of Frasers Property (China) Limited, Executive Director of SunCorp Technologies Limited, Vice President of Citibank N.A. and Manager of PricewaterhouseCoopers. He is a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in Australia. Mr. Chan holds a Bachelor's degree in Economics from the University of Sydney.

Mr. Albert K. B. CHAN

aged 50, is Director of Planning and Development. He is currently responsible for the conceptualisation and master planning of our Company's new projects. He was previously responsible for the overall planning and design of the Shanghai Xintiandi development project. Mr. Chan joined Shui On Properties Limited in 1997. Prior to joining our Company, he was a Project Director at the Department of Design and Construction, New York City. Mr. Chan holds a Bachelor's degree in Architectural Design from the University of Minnesota, a Master's degree in Architecture from the University of California, Berkeley, and a Master's degree in Science in Architecture and Urban Design from Columbia University. He also holds an MBA, majoring in finance from New York University. He is a member of the American Institute of Architects, a member of the American Planning Association, a member of the Urban Land Institute and a registered architect of New York State.

Mr. UY Kim Lun

aged 46, is Director of Legal Affairs and Company Secretary of our Company. He joined our Company in 2005 and is responsible for the legal, company secretarial and compliance issues of our Company. Mr. Uy holds a Bachelor's degree, with honours, in Laws and a Postgraduate Certificate in Laws from The University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 18 years of post-qualification experience and has worked in the legal departments of several blue-chip companies in Hong Kong before joining our Company.

Mr. Bryan K. W. CHAN

aged 35, is Director of Corporate Development and his main responsibilities include working with the Chairman, Executive Committee and senior management on strategy development and implementation as well as organisational development. Mr. Chan joined the Company in February 2009. Prior to joining our Company, Mr. Chan had been an adviser to the Commercial Division of the Company. Mr. Chan received a Bachelor of Arts degree in Economics from Northwestern University and a Master's of Accounting degree from the University of Southern California. He is a member of the Urban Land Institute (ULI), International Council of Shopping Centers (ICSC) and Entrepreneurs' Organisation – Hong Kong and Shanghai chapters.

Mr. Ken C. K. WONG

aged 54, is the Director of Finance of the Group. Mr. Wong joined the Group in September 2009. His main responsibilities are to overseeing the finance, treasury, accounting and investor relations functions of the Group. Prior to this posting, for over 12 years, Mr. Wong as an Associate Director, worked for a leading listed property development and investment company with significant presence in the Mainland and Hong Kong. He has over 30 years of extensive finance accounting and general management work experience and had been holding various senior management positions with listed companies, mainly in the property industry.

Mr. Wong is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries, associates and jointly controlled entities are set out in notes 48, 17 and 18 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 114.

An interim dividend of HK\$0.01 per share was paid to shareholders on 30 October 2009.

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting (the "AGM") the payment of a final dividend of HK\$0.12 per share for the year ended 31 December 2009 (2008: HK\$0.01 per share), amounting to approximately RMB530 million (2008: RMB37 million) in aggregate, to shareholders whose names appear on the register of members of the Company on 27 May 2010.

Shareholders will be given the option to receive the final dividend in new shares in lieu of cash (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the AGM; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Scheme will be dispatched to shareholders together with the form of election for scrip dividend as soon as practicable after the AGM. Dividend warrants and share certificates in respect of the proposed final dividend are expected to be dispatched to shareholders on or about 19 July 2010.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2009 are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as of 31 December 2009 were RMB10,520 million (2008: RMB8,480 million).

DIRECTORS

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

Executive Directors:
Mr. Vincent H. S. LO
Mr. Louis H. W. WONG
Mr. Daniel Y. K. WAN (appointed on 27 August 2009)
Mr. Aloysius T. S. LEE (resigned on 16 December 2009)

Non-executive Director:
The Honourable LEUNG Chun Ying

Independent Non-executive Directors:
Sir John R. H. BOND
Dr. Edgar W. K. CHENG
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

In accordance with the provisions of the Company's Articles of Association, The Honourable LEUNG Chun Ying, Dr. William K. L. FUNG, Professor Gary C. BIDDLE and Mr. David J. SHAW will retire by rotation at the AGM and, being eligible, will offer themselves for re-election; and Mr. Daniel Y. K. WAN, appointed as an Executive Director of the Company on 27 August 2009, will retire at the AGM and being eligible, will offer himself for re-election.

DIRECTORS' INTERESTS IN SHARES

As of 31 December 2009, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(A) THE COMPANY

(i) Long position in the shares of the Company

Name of Directors	Nature of interests	Total number of ordinary shares	Interests in underlying shares (Note 3)	Approximate percentage of interests in the Company
Mr. Vincent H. S. LO	Other and Family	2,514,375,245 (Note 1) 1,265,000 (Note 2)	–	50.08%
Mr. Louis H. W. WONG	Personal	1,982,200	5,510,203	0.14%
Dr. William K. L. FUNG	Personal	4,070,000	–	0.08%
The Honourable LEUNG Chun Ying	Personal	–	500,000	0.01%
Sir John R. H. BOND	Personal	–	500,000	0.01%
Dr. Edgar W. K. CHENG	Personal	–	500,000	0.01%
Professor Gary C. BIDDLE	Personal	220,000	500,000	0.01%
Dr. Roger L. McCARTHY	Personal	–	500,000	0.01%
Mr. David J. SHAW	Personal	–	500,000	0.01%

Notes:

- (1) These shares are directly held by the subsidiaries of Shui On Company Limited ("SOCL"), namely Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Vincent H. S. LO is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Vincent H. S. LO, Bosrich Holdings (PTC) Inc. and HSBC International Trustee Limited are deemed to be interested in such shares under the SFO. Mr. Vincent H. S. LO is also deemed to be interested in the shares held by New Rainbow Investments Limited, a wholly-owned subsidiary of Shui On Construction and Materials Limited.
- (2) These shares are beneficially owned by Ms. Loletta CHU, the spouse of Mr. Vincent H. S. LO. Mr. Vincent H. S. LO is deemed to be interested in such shares under the SFO.
- (3) These represent interests of share options granted to the Directors under the share option scheme to subscribe for shares of the Company, further details of which are set out in the section "Share Options".

(B) ASSOCIATED CORPORATION – SHUI ON CONSTRUCTION AND MATERIALS LIMITED (“SOCAM”)

(i) Long position in the shares of SOCAM

Name of Directors	Nature of interests	Total number of ordinary shares	Approximate percentage of interests in SOCAM
Mr. Vincent H. S. LO	Other and Family	181,981,000 (Note 1) 312,000 (Note 2)	37.34%
Dr. William K. L. FUNG	Personal	682,000	0.13%

Notes:

- (1) Among 181,981,000 SOCAM shares beneficially owned by SOCL, 166,148,000 SOCAM shares and 15,833,000 SOCAM shares were held respectively by SOCL and Shui On Finance Company Limited, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Vincent H. S. LO is a discretionary beneficiary. Accordingly, Mr. Vincent H. S. LO is deemed to be interested in such shares under the SFO.
- (2) These SOCAM shares are beneficially held by Ms. Loletta CHU, the spouse of Mr. Vincent H. S. LO. Mr. Vincent H. S. LO is deemed to be interested in such shares under the SFO.

(ii) Short position in the shares of SOCAM

Name of Director	Nature of interests	Total number of ordinary shares	Approximate percentage of interests in SOCAM
Mr. Vincent H. S. LO	Other	1,600,000 (Note 1)	0.32%

Note:

- (1) These SOCAM shares represent the call option granted by SOCL on 27 August 2002 to Mr. Frankie Y. L. WONG as part of the incentive reward to his services to SOCAM. Mr. Vincent H. S. LO is deemed to have short position in these SOCAM shares under the SFO.

Save as disclosed above, as of 31 December 2009, no short positions were recorded in the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

At 31 December 2009, the following shareholders (other than Directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Capacity / Nature of interests	Total number of ordinary shares	Approximate percentage of shareholding
Ms. Loletta CHU	Family and Personal	2,515,640,245 (Note 1)	50.08%
HSBC International Trustee Limited	Trustee	2,514,375,245 (Note 2)	50.06%
Bosrich Holdings (PTC) Inc.	Trustee	2,514,375,245 (Note 2)	50.06%
SOCL	Interest of Controlled Corporation	2,514,375,245 (Note 2)	50.06%
SOCAM	Interest of Controlled Corporation	435,678,793 (Note 3)	8.67%

Notes:

- (1) The 2,515,640,245 shares are comprised of 1,265,000 shares beneficially held by Ms. Loletta CHU and 2,514,375,245 shares in which Mr. Vincent H. S. LO, the spouse of Ms. Loletta CHU, has a deemed interest under the SFO mentioned in note (2) below. Accordingly, Ms. Loletta CHU is also deemed to be interested in 2,514,375,245 shares under the SFO.
- (2) These shares are beneficially owned by SOCL through its subsidiaries, comprising 1,034,000,000 shares, 1,044,696,452 shares and 435,678,793 shares held by Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Vincent H. S. LO is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Vincent H. S. LO, HSBC International Trustee Limited and Bosrich Holdings (PTC) Inc. are deemed to be interested in such shares under the SFO.
- (3) These shares are beneficially owned by New Rainbow Investments Limited, a wholly-owned subsidiary of SOCAM. Accordingly, SOCAM is deemed to be interested in such shares under the SFO.
- (4) All the interests stated above represent long positions.

Save as disclosed above, as of 31 December 2009, no short positions were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTIONS

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 (the "Adoption Date") are set out in note 36 to the consolidated financial statements.

The following table sets out the movement in the Company's share options during the year:

Name or category of eligible participants	Date of grant	Exercise price per share HK\$	At 1 January 2009	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2009	Period during which options outstanding at 31 December 2009 are exercisable
Directors									
Mr. Louis H. W. WONG	20 June 2007	7.00	5,714,285	–	–	–	(204,082)	5,510,203	20 June 2009 – 19 June 2016
Mr. Aloysius T. S. LEE	1 November 2007	11.78	2,973,137	–	–	–	(2,654,801)	318,336	1 November 2009 – 15 March 2010
The Honourable LEUNG Chun Ying	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Sir John R. H. BOND	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Edgar W. K. CHENG	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Professor Gary C. BIDDLE	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Roger L. McCARTHY	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. David J. SHAW	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Sub-total			11,687,422	–	–	–	(2,858,883)	8,828,539	
Consultants									
Mr. Richard K. N. HO	20 June 2007	7.00	1,000,000	–	–	–	–	1,000,000	20 June 2007 – 19 June 2016
Dr. Thomas K. F. LEUNG	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Sub-total			1,500,000	–	–	–	–	1,500,000	
Employees (in aggregate)									
	20 June 2007	7.00	108,533,259	–	–	–	(11,911,364)	96,621,895	20 June 2009 – 19 June 2016
	1 August 2007	8.18	1,371,013	–	–	–	(101,211)	1,269,802	1 August 2009 – 31 July 2016
	2 October 2007	10.00	4,845,000	–	–	–	(2,376,232)	2,468,768	2 October 2009 – 1 October 2016
	1 November 2007	11.78	1,298,917	–	–	–	(315,638)	983,279	1 November 2009 – 31 October 2016
	3 December 2007	9.88	1,500,488	–	–	–	(266,159)	1,234,329	3 December 2009 – 2 December 2016
	2 January 2008	8.97	3,449,266	–	–	–	(90,857)	3,358,409	2 January 2010 – 1 January 2017
	1 February 2008	8.05	2,099,366	–	–	–	(381,984)	1,717,382	1 February 2010 – 31 January 2017
	3 March 2008	7.68	774,732	–	–	–	(39,062)	735,670	3 March 2010 – 2 March 2017
	2 May 2008	7.93	7,796,274	–	–	–	(558,001)	7,238,273	2 May 2010 – 1 May 2017
	2 June 2008	7.34	15,837,819	–	–	–	(606,259)	15,231,560	2 June 2010 – 1 June 2017
	2 July 2008	6.46	1,784,027	–	–	–	(301,852)	1,482,175	2 July 2010 – 1 July 2017
	3 November 2008	1.60	100,250,000	–	–	(79,937,500)	(20,312,500)	–	3 November 2010 – 2 November 2017
	4 September 2009	4.90	–	23,728,888	–	–	(23,364)	23,705,524	3 November 2010 – 2 November 2017
Sub-total			249,540,161	23,728,888	–	(79,937,500)	(37,284,483)	156,047,066	
Total			262,727,583	23,728,888	–	(79,937,500)	(40,143,366)	166,375,605	

Note:

The vesting period of the share options under the Share Option Scheme is from the date of grant until the commencement of the exercise price.

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 (the "Replacement Options") at exercise price of HK\$4.90 per share. Other than the exercise price, the vesting period and other terms of the Replacement Options remained unchanged. Details of the Replacement Options granted during the year are as follows:

Date of grant of the Replacement Options	Exercise price	Closing share price at date of grant	Weighted average estimated fair value at date of grant calculated using the Binominal model	Number of share options granted
4 September 2009	4.90	4.90	2.04	23,728,888

Summary of the Share Option Scheme is as follows:

(i) Purpose

The purpose of the Share Option Scheme is to provide a strategic driver to enhance shareholder value of the Company through achieving excellent business results and rapid growth; and to build a high performing organisation with loyal staff and other key contributors who are committed to achieving the vision and goals of the Company.

(ii) Qualifying participants

The Board may offer to grant an option to any employee including employee who has been newly promoted or recruited by the Company and/or its subsidiaries and non-executive director, consultant or other contributor of the Company or its subsidiaries as recommended by the Chairman.

(iii) Maximum number of shares

The total number of shares that may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit being exceeded. As of 31 December 2009, the number of shares available for issue in respect thereof is 418,009,717 Shares.

(iv) Limit for each participant

The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

(v) Option period

The period within which the shares must be taken up under an option for an employee shall be for such period as the Board may from time to time determine, and initially as at the Adoption Date, shall be a period ranging from 5 years for the first to the third tranche to 1 year for the seventh tranche of the option unless otherwise adjusted by the Board in its absolute discretion in certain circumstances set out in the Share Option Scheme. In the case of an option granted to a qualifying participant recommended by the Chairman, the option period shall be for such period as the Board may from time to time determine in accordance with the recommendations of the Chairman, which initially at the Adoption Date, shall not be more than 5 years from the date of the relevant grant. In all cases, the option period shall not exceed 10 years from the date of grant of the relevant option.

(vi) Acceptance and payment on acceptance

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 30 days from the date of the offer (or such longer period as the Board may specify in writing). HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.

(vii) Subscription price

The subscription price in respect of any particular option shall be the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(viii) Remaining life of the Share Option Scheme

The Board shall be entitled at any time within 10 years commencing on 8 June 2007 to make an offer for the grant of an option to any qualifying participants.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2009.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 86 to 93.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in notes 33 and 43 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions between the connected persons (as defined in the Listing Rules) and the Company, certain of which are ongoing.

(1) PROVISION OF PROJECT MANAGEMENT SERVICES BY SHANGHAI YANGPU KNOWLEDGE INNOVATION ZONE INVESTMENT AND DEVELOPMENT CO., LTD. ("SYKIZ") TO SHANGHAI YANGPU CENTRE DEVELOPMENT CO., LTD. ("KIC")

Pursuant to an agreement between the Group and SYKIZ which commenced on 26 August 2003, SYKIZ provides KIC, a subsidiary of the Company, with advisory services including assisting with obtaining the relevant regulatory and government approvals and permits as well as the marketing and administrative aspects for the property development projects of KIC (the "Shanghai KIC Project").

SYKIZ owned 30% of KIC upon its incorporation. Pursuant to an agreement signed with SYKIZ, KIC shall increase its registered capital by US\$77,000,000 from US\$60,500,000 to US\$137,500,000, whereby SYKIZ will not participate in injecting the additional capital of US\$77,000,000 into KIC. As a result of the completion of this agreement, SYKIZ's interest will be diluted from 30% to 13.2% by 16.8%. As SYKIZ is a substantial shareholder of KIC, therefore, SYKIZ is a connected person of the Company under the Listing Rules.

The total services fee payable by KIC to SYKIZ for the advisory services is fixed at 0.9% of the construction costs for the Shanghai KIC Project incurred by KIC. Our Directors believe that the advisory services agreement is on normal commercial terms. The services fee rate of 0.9% was determined based on the rate of 3% generally charged to independent third parties for similar services, adjusted to be proportionate with SYKIZ's shareholding.

The Company expects that the total amount payable by KIC to SYKIZ for advisory services for each of the three years ending 31 December 2011 would not exceed RMB6 million, RMB9 million and RMB9 million respectively. An amount of RMB6 million was paid and/or is payable by KIC to SYKIZ for advisory services during the year under review.

(2) LEASES OF PROPERTY BY THE GROUP FROM SUBSIDIARIES OF SOCL

In the ordinary course of the Group's business, the Company or its subsidiaries, as tenant, have entered into a number of property leasing agreements with the subsidiaries of SOCL (the "Shui On Group"). As SOCL is a substantial shareholder of the Company, SOCL and each of the subsidiaries of SOCL are connected persons of the Company.

In Shanghai, the Group has entered into property leasing agreements with Shanghai Jiu Hai Rimmer Properties Co. Ltd., which is an indirect 80% owned subsidiary of SOCL, for various units in Shui On Plaza for offices at market rent. In Hong Kong, a subsidiary of the Company has entered into property leasing and licensing agreements with Shui On Centre Company Limited and Shui On Investment Company Limited, both of which are wholly-owned by SOCL, for various units in Shui On Centre at prevailing market rent. These properties are used for offices and a showroom.

The Company entered into a framework lease agreement with SOCL on 30 May 2006, the terms of which was extended to 31 December 2009 by a supplemental agreement dated 4 September 2007.

The Company set the maximum aggregate annual rent payable by the Group to the Shui On Group for the year ended 31 December 2009 at RMB48 million for the leasing, sub-leasing and licensing of the properties in Shanghai. In addition, the Company expected that the total amount payable by the Group to the Shui On Group for leasing of the premises in Hong Kong under the property leasing agreements and the framework lease agreement for the year ended 31 December 2009 would not exceed HK\$5.2 million.

An amount of RMB33 million for the properties in Shanghai and HK\$3 million for the properties in Hong Kong respectively was paid and/or is payable by the Group to the Shui On Group for leasing of the premises under the property leasing agreements and the framework lease agreement during the year under review.

(3) PROVISION OF CONSTRUCTION SERVICES BY SOCAM TO THE GROUP

In the ordinary course of the Group's business, the Group entered into a number of construction contracts with Shui On Construction Co., Ltd. ("SOC"), and Pat Davie (China) Limited (the "SOCAM Contractors") as the contractors for construction works in relation to our projects in the PRC. The construction contracts include renovation works, building decoration works, mechanical and electrical system materials procurement and building materials procurement. Mr. Vincent H. S. LO, as the controlling shareholder of the Company, also holds more than 30% shareholding in SOCAM. Thus, SOCAM is a connected person of the Company. The SOCAM Contractors are each subsidiaries of SOCAM and are therefore connected persons of the Company.

For contracts over RMB1 million, construction contracts were generally put out to tender and contractors selected through a bidding process under which each potential contractor was assessed on its qualifications, reputation for reliability, quality and price. The construction contracts with SOCAM Contractors of over RMB1 million were entered into pursuant to and on the basis of bids tendered. For contracts of RMB1 million or less, the price was agreed with SOCAM Contractors with reference to the prevailing market rates.

On 4 June 2006, the Company entered into a construction services framework agreement with SOC which expired on 31 December 2008. On 15 December 2008, SOC and the Group entered into a supplemental agreement to extend the term for three financial years to 31 December 2011.

The Group expects that the total annual payment for construction services provided by SOC to the Group for the three years ending 31 December 2011, will not exceed RMB410 million, RMB561 million and RMB845 million, respectively.

An amount of RMB196 million was paid and/or is payable to SOC for construction services during the year under review.

(4) PROVISION OF MANAGEMENT SERVICES BY SHANGHAI SOD (“SHANGHAI SOD”) TO RICHCOAST GROUP LIMITED (“RICHCOAST”) AND ITS SUBSIDIARIES (COLLECTIVELY AS THE “DALIAN GROUP”)

On 28 April 2008, Shanghai SOD, a wholly-owned subsidiary of the Company, Max Clear Holdings Limited (“Max Clear”), a wholly-owned subsidiary of SOCAM, Yida Group Company Limited (“Yida”) and certain other companies entered into a management services agreement pursuant to which each of Shanghai SOD, Max Clear and Yida has agreed to provide management services to the Dalian Group for a term of three years commencing with effect from 1 January 2008 to 31 December 2010.

The Dalian Group is effectively held as to 48% by the Group and 22% by SOCAM and thus, a connected person of the Company. In addition, the companies constituting the Dalian Group are subsidiaries of the Group for the purpose of the Listing Rules, and Yida is a connected person of the Company by virtue of being the substantial shareholder of Richcoast. Mr. Vincent H. S. LO, as the controlling shareholder of the Company, also holds more than 30% shareholding in SOCAM. Thus, SOCAM and its subsidiaries including without limitation to Max Clear are connected persons of the Company.

In accordance with the management services agreement, Shanghai SOD, Max Clear and Yida can receive an annual fee from the Dalian Group based on 1%, 1.5% and 1% respectively of an amount calculated based on the total budgeted construction cost for the Dalian project for the provision of management services.

The annual caps for the receipt by Shanghai SOD of the management fees for the two years ending 31 December 2010 will not exceed RMB13 million for each year, while the annual caps for the payment by the Dalian Group to Max Clear in respect of the management fees for the two years ending 31 December 2010 will not exceed RMB19 million for each year and the annual caps for the payment by the Dalian Group to Yida in respect of the management fees for the two years ending 31 December 2010 will not exceed RMB13 million for each year.

The amounts of RMB8 million, RMB12 million and RMB8 million were paid and/or are payable to Shanghai SOD, Max Clear and Yida respectively for the management fees during the year under review.

(5) PROVISION OF CONSTRUCTION SERVICES BY YIDA AND ITS SUBSIDIARIES (“YIDA GROUP”) FOR DALIAN TIANDI

On 7 August 2008, Richcoast and Yida entered into a framework construction agreement, pursuant to which the Yida Group may enter into contracts with the Dalian Group to perform site formation and construction works which include excavation and/or filling, clearance of the construction site, removal of the construction garbage, setting up drainage system and construction of the main structures on the land area constituting Dalian Tiandi for a term expiring no later than 31 December 2010. The term of the agreement was subsequently extended to 31 December 2011.

Yida, through its wholly-owned subsidiary, is a substantial shareholder of Richcoast, a subsidiary of the Group for the purpose of the Listing Rules. Therefore, Yida and its subsidiaries are connected persons of the Company.

The annual caps for the payment made or to be made by the Dalian Group to Yida for the three years ending 31 December 2011 are RMB200 million, RMB250 million and RMB250 million respectively.

An amount of RMB78 million was paid and/or is payable to Yida Group for the construction fees during the year under review.

(6) USE OF AIRCRAFT OWNED BY A SUBSIDIARY OF SOCL

On 4 September 2009, the Company entered into an agreement with Top Dynasty Investment Limited ("Top Dynasty"), pursuant to which the Group may use an aircraft owned by Top Dynasty for the purpose of transporting passengers for business of the Group. As Top Dynasty is a subsidiary of SOCL, the transactions contemplated under the agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The term of the agreement is from 4 September 2009 and expiring on 31 December 2010. The fees are calculated based on the actual travelling schedules of the passengers. It is expected that the maximum annual fees payable by the Group to Top Dynasty under the agreement for the period from the date of the Agreement up to 31 December 2009 would be HK\$7 million, and for the year ending 31 December 2010 would be HK\$20 million.

An amount of HK\$5 million was paid and/or is payable to Top Dynasty for the use of aircraft during the year under review.

(7) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF CERTAIN PROJECTS OF CHONGQING SHUI ON TIANDI PROPERTY DEVELOPMENT COMPANY LIMITED ("CHONGQING TIANDI")

On 25 September 2009, Shui On Development (Holding) Limited ("SODH"), Winnington Land Limited ("WLL") and Chongqing Tiandi entered into a project services framework agreement pursuant to which Chongqing Tiandi may enter into separate service contracts with the Group and/or WLL and its associates ("WLL Group") to perform services in respect of the property development projects (excluding the Super High Rise project) of Chongqing Tiandi from time to time in accordance with the terms of the framework agreement for the three years ending 31 December 2011.

At the date of publishing the relevant announcement, Chongqing Tiandi was a connected person of the Company as the ultimate controlling shareholder of WLL, a connected person of the Company (at the Company level) was considered at the time as entitling to exercise, or control the exercise of, 10% or more of the voting power at the general meeting of Score High Limited (the offshore holding company of Chongqing Tiandi). However, the ultimate controlling shareholder of WLL does not currently hold such voting power. Accordingly, the services fees payable by Chongqing Tiandi to the Group under the framework agreement no longer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The ultimate controlling shareholder of WLL is an associate of Mr. Vincent H. S. LO pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL together with the WLL Group are connected persons of the Company and the services fees payable by Chongqing Tiandi to the WLL Group under the framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual caps for the services fees payable by Chongqing Tiandi to the Group for the three years ending 31 December 2011 will not exceed RMB29.1 million, RMB31.1 million and RMB47.0 million respectively; the annual caps for the services fees payable by Chongqing Tiandi to WLL Group for the three years ending 31 December 2011 will not exceed RMB3.8 million, RMB8.7 million and 9.9 million respectively.

The amounts of RMB18.8 million and RMB1.4 million were paid and/or are payable by Chongqing Tiandi to the Group and WLL Group respectively for the services fees during the year under review.

(8) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE PROJECTS OF SHANGHAI RUI HONG XIN CHENG CO., LTD (“RHXC”)

On 27 October 2009, SODH, WLL and RHXC entered into a project services framework agreement pursuant to which RHXC may enter into separate service contracts with the Group and/or WLL Group to perform services in respect of the property development projects of RHXC from time to time in accordance with the terms of the framework agreement for the three years ending 31 December 2011.

At the date of publishing the relevant announcement, RHXC was a connected person of the Company as the ultimate controlling shareholder of WLL, a connected person of the Company (at the Company level) was considered at the time as entitling to exercise, or control the exercise of, 10% or more of the voting power at the general meeting of Foresight Profits Limited (the offshore holding company of RHXC). However, the ultimate controlling shareholder of WLL does not currently hold such voting power. Accordingly, the services fees payable by RHXC to the Group under the framework agreement no longer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The ultimate controlling shareholder of WLL is an associate of Mr. Vincent H. S. LO pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL together with the WLL Group are connected persons of the Company and the services fees payable by RHXC to the WLL Group under the framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual caps for the services fees payable by RHXC to the Group for the three years ending 31 December 2011 will not exceed RMB30 million, RMB25 million and RMB68 million respectively; the annual caps for the services fees payable by RHXC to WLL Group for the two years ending 31 December 2011 will not exceed RMB0.6 million and RMB8 million respectively.

An amount of RMB4 million was paid and/or is payable by RHXC to the Group for the services fees during the year under review.

(9) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE PROJECTS OF WUHAN SHUI ON TIANDI PROPERTY DEVELOPMENT COMPANY LIMITED (“WUHAN TIANDI”)

On 20 November 2009, SODH and Wuhan Tiandi entered into a project services framework agreement pursuant to which Wuhan Tiandi may enter into separate service contracts with the Group to perform services in respect of the property development projects of Wuhan Tiandi from time to time in accordance with the terms of the framework agreement for the three years ending 31 December 2011.

At the date of publishing the relevant announcement, Wuhan Tiandi was a connected person of the Company as an associate of Mr. Vincent H. S. LO, a connected person of the Company (at the Company level) was considered at the time as entitling to exercise, or control the exercise of, 10% or more of the voting power at the general meeting of Fieldcity Investments Limited (the offshore holding company of Wuhan Tiandi). However, such associate does not currently hold such voting power. Accordingly, the services fees payable by Wuhan Tiandi to the Group under the framework agreement no longer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual caps for the services fees payable by Wuhan Tiandi to the Group for the three years ending 31 December 2011 will not exceed RMB39 million, RMB64 million and RMB81 million respectively.

An amount of RMB33 million was paid and/or is payable by Wuhan Tiandi to the Group for the services fees during the year under review.

(10) CONNECTED TRANSACTIONS WITH WINNINGTON CAPITAL LIMITED ("WCL") IN RESPECT OF RIGHTCHINA LIMITED ("RIGHTCHINA")

(i) Provision of guarantee and receipt of loan guarantee fees

In accordance with the shareholders agreement dated 23 September 2008, the Group may provide guarantees for the purpose of financing the development costs ("Development Costs") which include without limitation the construction costs, interest expenses and sales and marketing costs and the relocation and land costs. The requirement of the Development Costs may be realized in the form of bank loans. In the event where the Group agrees to provide WCL's or its affiliate's proportionate share of a guarantee, WCL or its affiliate shall give loan guarantee fees to the Group for its input.

At the time of publishing the announcement of the Company dated 21 August 2008, it was stated that if the call option was exercised and completed, Rightchina would become a connected person of the Company. However, the call option has expired and was not exercised, and that Rightchina is not currently a connected person of the Company pursuant to Rule 14A.11(5) of the Listing Rules, the provision of guarantees no longer constitutes continuing connected transaction of the Company. Given that WCL is still a connected person of the Company, the receipt of any loan guarantee fees from WCL or its affiliate would still constitute continuing connected transactions of the Company.

At the time of making the relevant announcement, the annual caps for the provision of guarantee by the Group during the two financial years ending 31 December 2010 were set at not exceeding RMB500 million and RMB1,000 million, respectively. The Group has not provided any financial guarantee during the year under review.

The annual caps for the amount of receipt of loan guarantee fees from WCL or its affiliate for the two years ending 31 December 2010 were set at not exceeding RMB10 million and RMB20 million, respectively. The Group has not received any loan guarantee fee from WCL or its affiliate during the year under review.

(ii) Provision of shareholders' loans

In accordance with the shareholders agreement dated 23 September 2008, additional shareholders' loans may be required to be provided by Score High Limited and/or WCL or its affiliate for the Super High Rise project to finance the Development Costs. Where the external banking facilities are unavailable to fund the Development Costs due to any reason, Score High Limited and WCL, the shareholders of Rightchina shall provide shareholders' loans to fund the shortfall amount in accordance with their shareholding proportion to facilitate the development of the Super High Rise project.

As stated above, Rightchina is not currently a connected person of the Company pursuant to Rule 14A.11(5) of the Listing Rules, therefore the provision of shareholders' loan by Score High no longer constitutes continuing connected transaction of the Company. Given that WCL is still a connected person of the Company, the provision of shareholders' loans by WCL or its affiliate would still constitute continuing connected transactions of the Company. No additional shareholders' loan was provided from the date of the announcement, being 21 August 2008 to 31 December 2009.

At the time of making the relevant announcement, the annual caps for provision of additional shareholders' loans during the two financial years ending 31 December 2010 were set at not exceeding RMB900 million and RMB1,000 million, respectively.

(11) ACQUISITION OF THE REMAINING 30% INTEREST IN GLOBE STATE PROPERTIES LIMITED IN RELATION TO LOT 117, TAIPINGQIAO

On 29 July 2009, the Group entered into a sale and purchase agreement with Equity Millennium Limited and Shun Hing China Investment Limited, the then non-controlling shareholders of Globe State Properties Limited ("Globe State", an indirect 70% owned subsidiary of the Company), to acquire their entire interests in Globe State, being 20% and 10% equity interests in the issued share capital of Globe State respectively, together with an amount due by Globe State to the non-controlling shareholders of RMB56 million, for a total cash consideration of RMB100 million.

Each of Equity Millennium Limited and Shun Hing China Investment Limited was a connected person of the Company by virtue of its being a substantial shareholder of Globe State, a subsidiary of the Company for the purpose of the Listing Rules. Accordingly, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.37 of the Listing Rules, the INEDs of the Company have reviewed the above continuing connected transactions referred to in points no. (1) to (9) and are of the opinion that the continuing connected transactions as stated in points no. (1) to (9) above have been:

- (i) carried out in the usual and ordinary course of business of the Group;
- (ii) conducted on normal commercial terms; and
- (iii) entered into in accordance with the terms of the respective agreements.

The INEDs of the Company confirmed that no continuing connected transaction was entered into in respect of points no. (10)(i) and (10)(ii).

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions as set out in points no. (1) to (9) above to assist the Directors to evaluate whether the transactions:

- (a) have been approved by the Board of Directors of the Company;
- (b) were entered into in accordance with the terms of the relevant agreements governing the transactions; and
- (c) the amount of each continuing connected transaction did not exceed the relevant limits as set out in the relevant announcements.

The auditor has reported their factual findings on these procedures to the Board of Directors.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in note 43 to the consolidated financial statements, no contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2009, the following Director or his associates is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of businesses which entity are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Interest of the Director in the entity
Vincent H. S. LO	SOCL	Property investment in the PRC	Director and controlling shareholder
Vincent H. S. LO	SOCAM	Property investment in the PRC	Director and controlling shareholder

Save as aforesaid, as of the date of this report, none of the Directors of the Company has an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 16 December 2009, the immediate subsidiary of the Company, SODH as borrower, the Company as guarantor, the original lenders as lenders, and BNP as the coordinating arranger and facility agent entered into a facility agreement in relation to a loan. Pursuant to the facility agreement, there is a requirement that Mr. Vincent H. S. Lo and his family be the single largest shareholder of the Company and maintains a minimum 35% of the direct or indirect legal and beneficial interest in the Company during the term of the facility agreement. Any breach of this obligation will cause a default in respect of the loan, and may trigger cross-defaults in other outstanding bank loans of the Group in the aggregate amount of approximately RMB6,619 million as of 31 December 2009.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES (CONTINUED)

The Company has on 28 November 2006 entered into a guarantee ("Guarantee") to guarantee the performance of its subsidiary, Chongqing Tiandi, under a 3-year loan facility of up to RMB300 million. The Guarantee requires that Mr. Vincent H. S. LO, the Chairman and Chief Executive Officer, has to remain as a controlling shareholder of the Company and that the Company has to maintain its indirect and beneficial ownership in Chongqing Tiandi. Breach of such obligations will cause a default in respect of the loan.

REMUNERATION POLICY

The remuneration policy of the Group to reward its employees is based on their performance, qualifications and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PROVIDENT AND RETIREMENT FUND SCHEMES

Details of the Group's provident and retirement fund schemes are shown in note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2009.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB8 million (2008: RMB19 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group sales were attributable to the top five customers of the Group. For the year ended 31 December 2009, payments to our single largest construction contractor, SOC accounted for approximately 8% of our total payments for construction services. Details of the transactions with SOC are set out under the caption Connected Transactions point (3) "Provision of construction services by SOCAM to the Group" in page 106. Our five largest construction contractors accounted for approximately 29% of our total payments for construction services. Except for the construction payments to SOC, none of our Directors, their associates or any shareholders holding more than 5% of the share capital of the Company has any interest in our five largest construction contractors.

AUDITOR

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Vincent H. S. LO
Chairman

15 April 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 114 to 186, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	Year ended 31 December	
		2009 RMB'million	2008 RMB'million (Restated)
Turnover	5	6,758	2,066
Cost of sales		(3,229)	(1,028)
Gross profit		3,529	1,038
Other income	6	170	342
Selling and marketing expenses		(151)	(134)
General and administrative expenses		(543)	(697)
Operating profit	7	3,005	549
Increase in fair value of investment properties	13	536	382
Gain on acquisition of additional equity interests in subsidiaries	33	6	–
Gains on partial disposals of equity interests in subsidiaries	35	–	1,883
Share of results of associates		436	44
Finance costs, net of exchange gain	8	(89)	(133)
Profit before taxation		3,894	2,725
Taxation	9	(1,301)	(657)
Profit for the year		2,593	2,068
Attributable to:			
Shareholders of the Company		2,673	1,798
Non-controlling interests		(80)	270
		2,593	2,068
Earnings per share	12		
– Basic		RMB0.55	RMB0.39
– Diluted		RMB0.55	RMB0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	Year ended 31 December	
		2009 RMB'million	2008 RMB'million (Restated)
Profit for the year		2,593	2,068
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		(19)	(2)
Fair value adjustments on interest rate swaps designated in cash flow hedges	27(a)	45	(136)
Fair value adjustments on cross currency interest rate swaps designated in cash flow hedges	27(b)	–	(158)
Reclassification of fair value adjustments on cross currency interest rate swaps designated in cash flow hedges	27(b)	–	104
Residual balance of hedge reserve in relation to cross currency interest rate swaps recognised in consolidated income statement upon the maturity of the notes	27(b)	–	138
Other comprehensive income (expense) for the year		26	(54)
Total comprehensive income for the year		2,619	2,014
Total comprehensive income attributable to:			
Shareholders of the Company		2,699	1,744
Non-controlling interests		(80)	270
		2,619	2,014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2009

	Notes	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Non-current assets				
Investment properties	13	21,206	8,466	7,994
Property, plant and equipment	14	356	343	260
Prepaid lease payments	15	43	6,290	4,325
Properties under development	16	–	2,411	1,734
Interests in associates	17	862	296	85
Loans to associates	17	1,273	1,331	981
Accounts receivable	19	59	329	312
Pledged bank deposits	20	1,222	694	237
Deferred tax assets	32	139	146	124
Defined benefit assets	37	–	4	6
		25,160	20,310	16,058
Current assets				
Properties under development for sale	16	11,532	7,786	6,281
Properties held for sale	21	627	3,090	906
Accounts receivable, deposits and prepayments	19	933	941	3,215
Loans receivable	22	378	414	240
Amounts due from associates	17	147	450	12
Amounts due from related parties	23	73	62	44
Amounts due from non-controlling shareholders of subsidiaries	24	17	176	6
Early redemption rights on notes	38	–	–	11
Pledged bank deposits	20	797	1,015	617
Bank balances and cash	20	2,928	1,671	2,843
		17,432	15,605	14,175
Current liabilities				
Accounts payable, deposits received and accrued charges	25	4,305	4,418	2,581
Amounts due to related parties	23	69	33	39
Amounts due to associates	17	45	–	–
Amounts due to non-controlling shareholders of subsidiaries	24	475	758	876
Loan from a non-controlling shareholder of a subsidiary	30	442	199	100
Tax liabilities		1,404	739	1,514
Bank borrowings – due within one year	26	2,098	1,953	1,514
Notes – due within one year	38	–	–	2,667
Derivative financial instruments designated as hedging instruments	27	–	–	323
		8,838	8,100	9,614
Net current assets		8,594	7,505	4,561
Total assets less current liabilities		33,754	27,815	20,619

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2009

	Notes	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Capital and reserves				
Share capital	28	99	84	84
Reserves		21,480	16,779	15,544
Equity attributable to shareholders of the Company		21,579	16,863	15,628
Non-controlling interests		995	1,312	776
Total equity		22,574	18,175	16,404
Non-current liabilities				
Bank borrowings – due after one year	26	8,105	6,245	2,891
Derivative financial instruments designated as hedging instruments	27	211	256	–
Loans from non-controlling shareholders of subsidiaries	30	670	670	93
Loan from a director	31	–	567	–
Deferred tax liabilities	32	2,192	1,902	1,231
Defined benefit liabilities	37	2	–	–
		11,180	9,640	4,215
Total equity and non-current liabilities		33,754	27,815	20,619

The consolidated financial statements on pages 114 to 186 were approved and authorised for issue by the Board of Directors on 15 April 2010 and are signed on its behalf by:

Vincent H. S. LO
DIRECTOR

Daniel Y. K. WAN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to shareholders of the Company										Non-controlling interests	Total
	Share capital	Share premium	Merger reserve	Special reserve	Share option reserve	Exchange reserve	Hedge reserve	Other reserves	Retained earnings	Total		
	RMB' million	RMB' million	RMB' million (note 29(a))	RMB' million (note 29(b))	RMB' million	RMB' million	RMB' million	RMB' million (note 29(c))	RMB' million	RMB' million		
At 1 January 2008, as previously stated	84	10,689	122	(411)	35	40	(84)	603	4,800	15,878	828	16,706
Effect of retrospective adoption of IFRIC 15 (Note 2)	-	-	-	(49)	-	-	-	-	(201)	(250)	(52)	(302)
As restated	84	10,689	122	(460)	35	40	(84)	603	4,599	15,628	776	16,404
Profit for the year	-	-	-	-	-	-	-	-	1,798	1,798	270	2,068
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 27(a))	-	-	-	-	-	-	(136)	-	-	(136)	-	(136)
Fair value adjustments on cross currency interest rate swaps designated as cash flow hedges (note 27(b))	-	-	-	-	-	-	(158)	-	-	(158)	-	(158)
Reclassification of fair value adjustments on cross currency interest rate swaps in cash flow hedges (note 27(b))	-	-	-	-	-	-	104	-	-	104	-	104
Residual balance of hedge reserve in relation to cross currency interest rate swaps recognised in consolidated income statement upon the maturity of the notes (note 27(b))	-	-	-	-	-	-	138	-	-	138	-	138
Total comprehensive (expense) income for the year	-	-	-	-	-	(2)	(52)	-	1,798	1,744	270	2,014
Recognition of equity-settled share-based payment expenses	-	-	-	-	54	-	-	-	-	54	-	54
Release upon partial disposal of equity interests in subsidiaries	-	-	-	17	-	-	-	-	-	17	246	263
Capital injection	-	-	-	-	-	-	-	-	-	-	20	20
Release of special reserve upon disposal of the related assets	-	-	-	50	-	-	-	-	-	50	-	50
Total dividends of HK\$0.17 paid, comprising 2007 final dividend of HK\$0.10 per share and 2008 interim dividend of HK\$0.07 per share (note 11)	-	-	-	-	-	-	-	-	(630)	(630)	-	(630)
At 31 December 2008 (as restated)	84	10,689	122	(393)	89	38	(136)	603	5,767	16,863	1,312	18,175
Profit for the year	-	-	-	-	-	-	-	-	2,673	2,673	(80)	2,593
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 27(a))	-	-	-	-	-	-	45	-	-	45	-	45
Total comprehensive (expense) income for the year	-	-	-	-	-	(19)	45	-	2,673	2,699	(80)	2,619
Recognition of equity-settled share-based payment expenses	-	-	-	-	47	-	-	-	-	47	-	47
Bonus issue of shares	8	(8)	-	-	-	-	-	-	-	-	-	-
Issue of new shares at a premium	7	1,790	-	-	-	-	-	-	-	1,797	-	1,797
Transaction costs attributable to issue of new shares	-	(38)	-	-	-	-	-	-	-	(38)	-	(38)
Capital injection	-	-	-	-	-	-	-	-	-	-	13	13
Acquisition of additional interests in subsidiaries	-	-	-	(4)	-	-	-	-	-	(4)	(46)	(50)
Release of special reserve upon disposal of the related assets	-	-	-	205	-	-	-	-	-	205	-	205
Release of special reserve upon recognition of fair value changes of the related assets	-	-	-	91	-	-	-	-	-	91	-	91
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(204)	(204)
Total dividends of HK\$0.02 paid, comprising 2008 final dividend of HK\$0.01 per share and 2009 interim dividend of HK\$0.01 per share (note 11)	-	-	-	-	-	-	-	-	(81)	(81)	-	(81)
At 31 December 2009	99	12,433	122	(101)	136	19	(91)	603	8,359	21,579	995	22,574

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2009

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million (Restated)
Operating activities		
Profit before taxation	3,894	2,725
Adjustments for:		
Depreciation of property, plant and equipment charged to consolidated income statement	53	51
Release of prepaid lease payments charged to consolidated income statement	1	1
Net foreign exchange loss (gain)	22	(9)
Share of results of associates	(436)	(44)
Gain on acquisition of additional equity interests in subsidiaries	(6)	–
Gains on partial disposals of equity interests in subsidiaries	–	(1,883)
Finance costs, net of exchange gain	89	133
Loss on disposal of property, plant and equipment	–	14
Interest income	(149)	(227)
Increase in fair value of investment properties	(536)	(382)
Decrease in defined benefit assets	6	2
Equity-settled share-based payment expenses	47	54
Release of special reserve	296	50
Operating cash flows before movements in working capital	3,281	485
(Increase) decrease in accounts receivable, deposits and prepayments	(44)	1,516
Increase in properties under development for sale	(4,148)	(4,489)
Decrease in properties held for sale	2,906	812
(Increase) decrease in amounts due from related parties	(11)	5
Increase (decrease) in amounts due to related parties	36	(28)
Increase in amounts due to associates	45	–
(Decrease) increase in accounts payable, deposits received and accrued charges	(113)	1,833
Cash generated from operations	1,952	134
Tax paid	(339)	(780)
Net cash from (used in) operating activities	1,613	(646)

CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended 31 December 2009

	Notes	Year ended 31 December	
		2009 RMB'million	2008 RMB'million (Restated)
Investing activities			
Interest received		77	123
Purchase of property, plant and equipment		(47)	(56)
Proceeds from disposal of property, plant and equipment		–	3
Additions to investment properties		(2,973)	(8)
Additions to prepaid lease payments		–	(2,105)
Increase in loans to associates		(20)	(428)
Decrease (increase) in amounts due from associates		303	(438)
Acquisition of additional equity interests in subsidiaries	33	(100)	–
Acquisition of subsidiaries	34	–	(100)
Proceeds from partial disposals of equity interests in subsidiaries	35	339	2,905
Increase in pledged bank deposits		(310)	(855)
Decrease (increase) in loans receivable		36	(174)
Net cash used in investing activities		(2,695)	(1,133)
Financing activities			
Net proceeds on issuance of shares		1,759	–
Advance from non-controlling shareholders of subsidiaries		174	382
Capital injected by non-controlling shareholders of subsidiaries		13	20
New bank loans raised		4,182	7,283
Repayment of bank loans		(2,168)	(3,209)
(Decrease) increase in loan from a director		(567)	567
Redemption of notes		–	(2,562)
Settlement of derivative financial instruments		–	(347)
Interest and bank charges paid		(766)	(833)
Payment of dividends		(81)	(630)
Dividend payment to non-controlling shareholders		(204)	–
Net cash from financing activities		2,342	671
Net increase (decrease) in cash and cash equivalents		1,260	(1,108)
Cash and cash equivalents at the beginning of the year		1,671	2,843
Effect of foreign exchange rate changes		(3)	(64)
Cash and cash equivalents at the end of the year		2,928	1,671
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		2,928	1,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 48. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

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") issued by the International Accounting Standards Board ("IASB"), which are effective for the Group's financial year beginning 1 January 2009.

IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to amendment to paragraph 80 of IAS 39
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	Transfer of Assets from Customers

New and revised IFRSs affecting presentation and disclosure only

IAS 1 (Revised) Presentation of Financial Statements

IAS 1 (Revised) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

In addition, the adoption of IAS 1 (Revised) has resulted in the change of presentation of the consolidated statement of financial position as at 1 January 2008 as the Group has applied accounting policies retrospectively during the current year (see below).

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of IFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14, and has had no impact on the reported results or financial position of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs affecting the reported results and/or financial position

IFRIC 15 Agreements for the Construction of Real Estate

In previous years, when properties were sold under pre-sale arrangements prior to the completion of the development, revenue and profit were recognised on the execution of sales agreements or when the relevant completion certificates were issued by the respective government authorities, whichever was the later. With the issuance of IFRIC 15, which contains more detailed guidance on the accounting treatment for such real estate transactions, property sales are now required to be recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

The change in accounting policy on revenue recognition for sales of properties has been adopted retrospectively and hence the comparative figures of the consolidated income statement for the year ended 31 December 2009 have been restated to adjust for the revenue together with the related cost of sales and taxation which arose from the sales of properties.

The effects of change in the accounting policy described above on the financial results for the current and prior periods by line items presented in the consolidated income statement are as follows:

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Increase (decrease) in turnover	2,034	(1,490)
(Increase) decrease in cost of sales	(802)	496
(Increase) decrease in taxation	(413)	320
Increase (decrease) in profit for the year	819	(674)
Attributable to:		
Shareholders of the Company	789	(682)
Non-controlling interests	30	8
	819	(674)

The cumulative effects of the change in accounting policy described above on the financial positions of the Group at 31 December 2008 and 1 January 2008 are summarised below:

	At 31 December 2008 RMB'million	At 1 January 2008 RMB'million
Increase in properties held for sale	1,061	581
Decrease in accounts receivable, deposits and prepayments	(229)	(262)
Increase in accounts payable, deposit received and accrued charges	(2,336)	(813)
Decrease in tax liabilities	133	27
Decrease in deferred tax liabilities	382	165
	(989)	(302)
Decrease in reserves	(945)	(250)
Decrease in non-controlling interests	(44)	(52)
	(989)	(302)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs affecting the reported results and/or financial position (Continued)

IFRIC 15 Agreements for the Construction of Real Estate (Continued)

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

	Year ended 31 December	
	2009	2008
	RMB	RMB
Impact on basic and diluted earnings per share		
Reported figure before adjustments	0.39	0.59
Adjustments arising from issuance of bonus shares (note 11)	–	(0.05)
Adjustments arising from change in accounting policy	0.16	(0.15)
As restated	0.55	0.39

IFRSs (Amendments) Improvements to IFRSs issued in 2008

The application of the amendment to IAS 40 Investment Property as part of the Improvements to IFRSs issued in 2008 has affected the accounting for properties under construction or development for future use as investment properties of the Group. The amendment to IAS 40 brings such properties within the scope of IAS 40 which, therefore, shall be accounted for under the fair value model (where the fair value is reliably determinable) in accordance with the Group's accounting policy.

In the past, the leasehold land and building elements of properties under construction or development were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses. The Group has applied the amendment to IAS 40 prospectively from 1 January 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's properties under construction or development for future use as investment properties that include the leasehold land and building elements with carrying amount of RMB6,246 million and RMB2,411 million, respectively have been classified as investment properties as of 1 January 2009. Investment properties under construction or development of which the fair value can be determined reliably have been measured at their fair values as of 31 December 2009. The fair value of those properties as of 31 December 2009 amounted to RMB6,129 million, with the increase in fair value of RMB277 million being recognised in consolidated income statement for the year ended 31 December 2009. Other investment properties under construction or development of which the fair value cannot be determined reliably have been measured at cost less impairment. The carrying amount of those properties as of 31 December 2009 amounted to RMB5,693 million.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs affecting the reported results and/or financial position (Continued)

IFRSs (Amendments) Improvements to IFRSs issued in 2008 (Continued)

In addition, certain associates of the Group are principally engaged in property development. The associates have investment properties under construction or development. The application of the amendment to IAS 40 has resulted in an increase in the Group's share of results of those associates by RMB496 million. The increase is attributable to an increase in fair value of the associates' investment properties under construction or development (net of related tax), of which the Group's share amounting to RMB496 million that has been recognised in the Group's consolidated income statement for the year ended 31 December 2009.

The effects of the changes in accounting policy described above on the financial results for the current year by line items presented in the consolidated income statement are as follows:

	Year ended 31 December 2009 RMB' million
Increase in fair value of investment properties	277
Increase in share of results of associates	496
Profit before taxation	773
Increase in taxation	(69)
Increase in profit for the year	704
Attributable to:	
Shareholders of the Company	797
Non-controlling interests	(93)
	704

Other than the above, the adoption of these new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued by the IASB but yet to be effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008 ¹
IFRSs (Amendments)	Improvements to IFRSs 2009 ²
IAS 24 (Revised)	Related Party Disclosures ⁶
IAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
IAS 32 (Amendment)	Classification of Rights Issues ⁴
IAS 39 (Amendment)	Eligible Hedged Items ¹
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
IFRS 3 (Revised)	Business Combinations ¹
IFRS 9	Financial Instruments ⁷
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
IFRIC 17	Distributions of Non-cash Assets to Owners ¹
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 July 2010.

6 Effective for annual periods beginning on or after 1 January 2011.

7 Effective for annual periods beginning on or after 1 January 2013.

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of the 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 issued by the IASB. 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 policy 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, incomes and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the shareholders of the Company. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already an entity controlled by the Company, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. No revaluation surplus or deficit on revaluation of the identifiable assets, liabilities and contingent liabilities of the subsidiary to current fair value is recognised in the consolidated statement of financial position. The difference between the fair value, representing the amount of consideration less the amount of goodwill, and the carrying amount of the net assets attributable to the additional interest acquired is recognised as a reserve movement. This difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary and is released to the consolidated income statement upon 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.

At the date of acquisition, the Group reassesses the identification and measurement of the entity's identifiable assets, liabilities and contingent liabilities. If the Group's additional interest in the net fair value of those items exceeds the cost of the acquisition, any excess remaining after that reassessment, which represents the gain from acquisition, is recognised by the Group immediately in the consolidated income statement.

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 fair value 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.

From 1 January 2009, investment properties under construction or development have been accounted for in the same way as completed investment properties. Specifically, 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. Investment properties under construction or development are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction or development and their carrying amounts is recognised in consolidated income statement in the period in which they arise. Prior to 1 January 2009, the leasehold land and building elements of investment properties under construction or development were accounted separately; the leasehold land element was accounted for as an operating lease and the building element was measured at cost less impairment losses, if any.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or 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.

Depreciation is provided 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 provided 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid lease payments

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

Properties under development

Prior to 1 January 2009, property that was being constructed or developed for future use as an investment property was included in construction in progress until construction or development was completed, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in consolidated income statement. Upon the adoption of amendment to IAS 40, that property has been reclassified as an investment property at 1 January 2009 (see note 2).

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.

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 carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which excludes 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. An additional share of losses is provided for and a liability is 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.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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 carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. Where 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. An additional share of losses is provided for and a liability is recognised only to the extent 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.

Where a group entity transacts with a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 an income immediately.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realised value is determined based on prevailing market conditions.

Financial instruments

Financial assets and financial liabilities are recognised on 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related parties, 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 each reporting period and 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
- default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss of loans and receivables is recognised in 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.

Financial liabilities and equity

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 to the net carrying amount on initial recognition.

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.

Notes and warrants

At the date of issue, the net proceeds received were assigned to the notes and the warrants according to their fair values. Issue costs are apportioned between the notes and the warrants based on their relative fair value at the date of issue. Notes are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities

The Group's other financial liabilities (including accounts payable, amounts due to related parties, amounts due to associates, amount due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, loan from a director 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 when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each 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. The Group designates certain derivatives as cash flow hedges.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the consolidated income statement.

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 recycled 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".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

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

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 periods 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 each 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 each 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 each 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 each 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 each reporting period, and their incomes 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 each 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 each 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, 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 immediately, unless the services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

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 plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each 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. 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.

The amount 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 financial assets 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 throughout the expected life of the financial asset to that asset's net carrying amount.

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 judgment and key sources of estimation uncertainty at the end of each 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

Investment properties 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 conditions. In relying on the valuation report, the directors of the Company have exercised their judgment 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 People's Republic of China ("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 judgment 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:

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million (Restated)
Property development:		
Property sales	6,078	1,449
Property investment:		
Rental income received from investment properties	542	497
Income from serviced apartments	18	25
Property management fees	28	32
Rental related income	55	39
	643	593
Others	37	24
	6,758	2,066

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers that are the Directors of the Company, in order to allocate resources to segments and to assess their performance. The application of IFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14, and has had no impact on the reported results or financial position of the Group.

For management purposes, the Group's business activities are broadly categorised under two major reportable segments – property development and property investment.

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

Principal activities of the two major reportable 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 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 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)

For the year ended 31 December 2008 (Restated)

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	1,449	593	24	2,066
Results				
Segment results	337	824	14	1,175
Interest income				227
Gains on partial disposals of equity				
Interests in subsidiaries				1,883
Share of results of associates				44
Finance costs, net of exchange gain				(133)
Net unallocated expenses				(471)
Profit before taxation				2,725
Taxation				(657)
Profit for the year				2,068
Other information				
Amount included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment properties and property, plant and equipment	13	148	11	172
Development costs for properties under development and prepaid lease payments	–	2,677	–	2,677
Development costs for properties under development held for sale	4,535	–	–	4,535
Depreciation of property, plant and equipment	25	10	16	51
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Loss on disposal of property, plant and equipment	14	–	–	14
Increase in fair value of investment properties	–	382	–	382
Financial position				
Assets				
Segment assets	21,222	9,298	67	30,587
Interests in associates				296
Loans to associates				1,331
Amounts due from associates				450
Unallocated corporate assets				3,251
Consolidated total assets				35,915
Liabilities				
Segment liabilities	(4,431)	(263)	(1)	(4,695)
Unallocated corporate liabilities				(13,045)
Consolidated total liabilities				(17,740)

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 for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

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 parties, 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 parties, 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 instrument 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

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Interest income	56	81
Interest income on non-current accounts receivable from sales of properties	7	–
Imputed interest income on non-current accounts receivable from sales of properties	17	15
Interest income on consideration receivable on partial disposals of equity interests in subsidiaries	2	30
Interest income from amounts due from associates	11	11
Imputed interest income from loans to associates	55	89
Interest income from a fellow subsidiary	1	1
Sundry income	1	6
Tax refunds from reinvestment of dividends and grants received from local government	20	109
	170	342

7. OPERATING PROFIT

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million (Restated)
Operating profit has been arrived at after charging (crediting):		
Auditor's remuneration	5	6
Depreciation of property, plant and equipment	54	51
Less: Amount capitalised to properties under development	(1)	–
	53	51
Release of prepaid lease payments	1	130
Less: Amount capitalised to properties under development	–	(129)
	1	1
Loss on disposal of property, plant and equipment	–	14
Employee benefits expenses		
Directors' emoluments		
Fees	2	2
Salaries, bonuses and allowances	14	37
Retirement benefit costs	1	–
Share-based payment expenses	(2)	5
	15	44
Other staff costs		
Salaries, bonuses and allowances	261	291
Retirement benefit costs	34	25
Share-based payment expenses	49	49
	344	365
Total employee benefits expenses	359	409
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(78)	(107)
	281	302
Cost of properties sold recognised as an expense	3,080	881
Rental charges under operating leases	45	40

8. FINANCE COSTS, NET OF EXCHANGE GAIN

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	507	468
Interest on amounts due to non-controlling shareholders of subsidiaries wholly repayable within five years (notes 24 and 43(b))	46	4
Interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 30 and 43(b))	56	88
Interest on loan from a director wholly repayable within five years (notes 31 and 43(b))	35	9
Imputed interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 30 and 43(b))	1	6
Interest on notes (note 38)	–	246
Add: Net interest expenses from interest rate swaps designated as cash flow hedge (note 27(a))	116	28
Less: Net interest income from cross currency interest rate swaps designated as cash flow hedge	–	(25)
Total interest costs	761	824
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(634)	(618)
	127	206
Loss on change in fair value of early redemption right on notes (note 38)	–	13
Fair value change on cross currency interest rate swaps (note 27(b))	–	242
Net exchange gain on bank borrowings and other financing activities	(44)	(343)
Other finance costs	6	15
	89	133

Borrowing costs capitalised during the year ended 31 December 2009 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 8.4% (2008: 9.6%) per annum to expenditure on the qualifying assets.

9. TAXATION

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million (Restated)
PRC Enterprise Income Tax		
Current taxation	537	135
Deferred taxation (note 32)		
– Provision for the year	297	173
– Overprovision in prior year	–	(87)
	297	86
PRC Land Appreciation Tax		
– Provision for the year	467	90
– Underprovision in prior year	–	346
	467	436
	1,301	657

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% (2008: 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.

During the year ended 31 December 2008, the Group revised cost allocation for certain public facilities among various property development companies incorporated in the PRC that undertake the development of the various phases of the Shanghai Taipingqiao project. The revised cost allocation, which has been accepted by the relevant local tax bureau in the recent income tax filing, resulted in a change in accounting estimates for the provision in Land Appreciation Tax and, accordingly, an additional provision of RMB346 million (restated) has been made and charged to the consolidated income statement for the year ended 31 December 2008. Consequently, a corresponding reduction in deferred tax liabilities of RMB87 million has been made and credited to the consolidated income statement for the same year.

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

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million (Restated)
Profit before taxation	3,894	2,725
PRC Enterprise Income Tax at 25% (2008: 25%)	974	681
PRC Land Appreciation Tax	467	90
Tax effect of PRC Land Appreciation Tax	(117)	(23)
Deferred tax provided for withholding tax on income derived in the PRC	33	19
Tax effect of share of results of associates	(109)	(11)
Tax effect of expenses not deductible for tax purposes	74	230
Tax effect of income not taxable for tax purposes	(29)	(662)
Tax effect of tax losses not recognised	10	74
Tax effect of utilisation of tax losses previously not recognised	(2)	–
Underprovision of PRC Land Appreciation Tax in prior year	–	346
Overprovision of deferred tax in prior year	–	(87)
Tax charge for the year	1,301	657

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	2009					2009	2008
		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	Total RMB'000	Total RMB'000
Mr. Vincent H.S. Lo		–	–	–	–	–	–	–
Mr. Louis H.W. Wong		–	3,198	911	896	1,564	6,569	16,381
Mr. Daniel Y.K. Wan	(a)	–	2,516	3,312	–	–	5,828	–
Mr. Aloysius T.S. Lee	(b)	–	3,060	822	–	(3,306)	576	13,815
Mr. William T. Addison	(c)	–	–	–	–	–	–	10,782
Sir John R.H. Bond	(d)	308	–	–	–	–	308	271
The Honourable Leung Chun Ying	(e)	264	–	–	–	–	264	271
Dr. Edgar W.K. Cheng	(d)	353	–	–	–	–	353	361
Dr. William K.L. Fung	(d)	374	–	–	–	–	374	361
Professor Gary C. Biddle	(d)	485	–	–	–	–	485	451
Dr. Roger L. McCarthy	(d)	353	–	–	–	–	353	361
Mr. David J. Shaw	(d)	264	–	–	–	–	264	271
Total for 2009		2,401	8,774	5,045	896	(1,742)	15,374	43,325
Total for 2008		2,347	9,504	26,656	285	4,533	43,325	

Notes:

- (a) Executive directors appointed during the year
- (b) Executive director resigned during the year
- (c) Executive director resigned in year 2008
- (d) Independent non-executive directors
- (e) Non-executive director

Of the five highest paid individuals in the Group, two (2008: three) are executive directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2008: two) individuals are as follows:

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Salaries and other benefits	7	7
Performance related incentive payments	4	3
Retirement benefit costs	2	1
Share-based payment expenses	3	5
	16	16

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

Emolument bands	Year ended 31 December	
	2009 Number of employees	2008 Number of employees
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$6,000,001 – HK\$6,500,000	1	–
HK\$7,000,001 – HK\$7,500,000	1	–
HK\$8,500,001 – HK\$9,000,000	–	2
	3	2

No directors waived any emoluments in the years ended 31 December 2009 and 31 December 2008.

11. DIVIDENDS

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Interim dividend paid in respect of 2009 of HK\$0.01 per share (2008: HK\$0.07 per share)	44	257
Final dividend proposed in respect of 2009 of HK\$0.12 per share (2008: HK\$0.01 per share)	530	37
	574	294

A final dividend for the year ended 31 December 2009 of HK\$0.12 (equivalent to RMB0.11) per share, amounting to HK\$603 million (equivalent to RMB530 million) in aggregate, was proposed by the Directors and is subject to the approval of the shareholders in the forthcoming annual general meeting. Subject to the approval of the shareholders and the Stock Exchange of Hong Kong Limited, the proposed final dividend will be payable in cash and shareholders will be given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash.

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.

In June 2009, a final dividend in respect of 2008 of HK\$0.01 (equivalent to RMB0.0088) per share was paid to the shareholders of the Company. In addition, a bonus issue of shares, which represented a total of 418,559,717 ordinary shares, were issued to the shareholders of the Company on the basis of one new share for every ten shares then held. The bonus shares ranked pari passu to the existing ordinary shares.

In October 2008, an interim dividend in respect of 2008 of HK\$0.07 (equivalent to RMB0.061) per share was paid to the shareholders.

In June 2008, a final dividend in respect of 2007 of HK\$0.10 (equivalent to RMB0.089) 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

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million (Restated)
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	2,673	1,798

12. EARNINGS PER SHARE (CONTINUED)

Number of shares

	Year ended 31 December	
	2009 'million	2008 'million (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,823	4,605
Effect of dilutive potential shares:		
Share options issued by the Company (note a)	–	18
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,823	4,623

	Year ended 31 December	
	2009	2008 (Restated)
Basic earnings per share (note b)	RMB0.55 HK\$0.63	RMB0.39 HK\$0.43
Diluted earnings per share (note b)	RMB0.55 HK\$0.63	RMB0.39 HK\$0.43

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 2009 (2008: Other than the share options granted on 3 November 2008, there were no dilution effects for other share options granted as the exercise price of these share options granted were higher than the average market price for 2008).
- (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\$1.135 for 2009 and RMB1.000 to HK\$1.108 for 2008, being the average exchange rates that prevailed during the respective years.

13. INVESTMENT PROPERTIES

	2009			2008
	Completed investment properties RMB'million	Investment properties under construction or development RMB'million	Total RMB'million	Completed investment properties RMB'million
At beginning of the year	8,466	–	8,466	7,994
Reclassified from prepaid lease payments and properties under development (notes 15 and 16)	–	8,657	8,657	–
Acquisition of subsidiaries (note 34)	–	–	–	48
Additions	3	3,548	3,551	8
Transfer upon completion	660	(660)	–	–
Transfer from prepaid lease payments and properties under development upon completion (notes 15 and 16)	–	–	–	34
Transfer from property, plant and equipment	13	–	13	–
Transfer to property, plant and equipment	(17)	–	(17)	–
Increase in fair value recognised in the consolidated income statement	259	277	536	382
At end of the year	9,384	11,822	21,206	8,466
Stated at fair value	9,384	6,129	15,513	8,466
Stated at cost	–	5,693	5,693	–

13. INVESTMENT PROPERTIES (CONTINUED)

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.

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 using the cost model in IAS 16 until either its fair value becomes reliably determinable or construction is completed, whichever is the earlier.

The fair values of the Group's investment properties at 31 December 2009 and 31 December 2008 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer 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 direct comparison approach with reference to comparable transactions in the locality 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 reflect 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 2008	199	136	335
Acquisition of subsidiaries (note 34)	59	1	60
Transfer from properties under development	35	–	35
Additions	–	56	56
Disposals	(9)	(16)	(25)
At 31 December 2008	284	177	461
Transfer from properties under development	16	–	16
Transfer from investment properties	17	–	17
Transfer to investment properties	(13)	–	(13)
Additions	–	47	47
Disposals	–	(3)	(3)
At 31 December 2009	304	221	525
Accumulated depreciation			
At 1 January 2008	30	45	75
Charge for the year	10	41	51
Eliminated on disposals	(6)	(2)	(8)
At 31 December 2008	34	84	118
Charge for the year	7	47	54
Eliminated on disposals	–	(3)	(3)
At 31 December 2009	41	128	169
Carrying values			
At 31 December 2009	263	93	356
At 31 December 2008	250	93	343
At 1 January 2008	169	91	260

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The owner-occupied leasehold land and buildings amounted to RMB55 million (2008: RMB57 million) at the end of 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

	31 December 2009 RMB'million	31 December 2008 RMB'million
At beginning of the year	6,290	4,325
Reclassified to investment properties (note 13)	(6,246)	–
Additions	–	2,105
Transfer to investment properties (note 13)	–	(10)
Release for the year (note 7)	(1)	(130)
At end of the year	43	6,290

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	
	2009 RMB'million	2008 RMB'million	2009 RMB'million	2008 RMB'million
At cost				
At beginning of the year	2,411	1,734	7,786	6,281
Reclassified to investment properties (note 13)	(2,411)	–	–	–
Additions	–	572	4,205	4,535
Release of prepaid lease payments capitalised to properties under development (note 7)	–	129	–	–
Transfer to investment properties (note 13)	–	(24)	–	–
Transfer to properties held for sale	–	–	(443)	(2,995)
Transfer to property, plant and equipment	–	–	(16)	(35)
At end of the year	–	2,411	11,532	7,786

The properties under development are all situated in the PRC.

Included in the current portion of properties under development as at 31 December 2009 is carrying value of RMB9,322 million (2008: RMB7,099 million) which represents the carrying value of the properties expected to be completed and available for sale 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

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Cost of investments, unlisted	357	227	59
Share of post-acquisition profits	505	69	26
	862	296	85
Loans to associates	1,273	1,331	981
Amounts due from associates	147	450	12
Amounts due to associates	45	–	–

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

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Total assets	6,716	4,875
Total liabilities	(4,568)	(3,972)
Net assets	2,148	903
Group's share of net assets of associates	862	296

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Revenue	–	–
Profit for the year	708	71
Group's share of results of associates for the year	436	44

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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 2009 and 2008 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"), and 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 Dalin, 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. The loans are carried at amortised cost using the effective interest rate of 7.3% (2008: 9.6%) per annum.

The amounts due from associates are unsecured, interest bearing at 5.8% (2008: 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

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Cost of investment, unlisted	–	–	–
Share of post-acquisition losses	–	–	–
	–	–	–
Amount due from a jointly controlled entity	11	11	11
Less: Allowance	(11)	(11)	(11)
	–	–	–

Particulars of the Group's jointly controlled entity at 31 December 2009 and 2008 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

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Non-current accounts receivable comprise:			
Receivables from sales of properties (note a)	–	283	272
Deferred rental receivables	59	46	40
	59	329	312

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million (Restated)	RMB'million (Restated)
Current accounts receivable comprise:			
Trade receivables (note a)	186	34	78
Less: allowance for bad and doubtful debts	–	–	(9)
	186	34	69
Consideration receivable on partial disposals of equity interests in subsidiaries (note b)	–	339	1,136
Prepayments of relocation costs (note c)	483	474	558
Deposit for land acquisition	–	–	1,200
Other deposits, prepayments and receivables	264	94	252
	933	941	3,215

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19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONTINUED)

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.

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

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million (Restated)	RMB'million (Restated)
Not yet due	172	25	22
Within 30 days	5	6	4
31 – 60 days	3	–	23
61 – 90 days	2	–	1
Over 90 days	4	3	19
	186	34	69

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB14 million (2008 restated: RMB9 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:

	31 December 2009	31 December 2008
	RMB'million	RMB'million (Restated)
Within 30 days	5	6
31 – 60 days	3	–
61 – 90 days	2	–
Over 90 days	4	3
	14	9

The Group's management has considered that no allowance for bad and doubtful debts is required as the Group has collected rental deposits from the tenants to secure any potential loss from uncollectible debts.

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONTINUED)

Movement in the allowance for bad and doubtful debts:

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Balance at beginning of the year	–	9
Impairment losses recognised on trade receivables	–	–
Amounts written off as uncollectible	–	(9)
Balance at end of the year	–	–

Notes:

(a) The amounts are unsecured and repayable on or before 31 December 2010.

	31 December 2009 RMB' million	31 December 2008 RMB' million
Non-current accounts receivables		
Interest free (note (i))	–	162
Interest bearing (note (ii))	–	121
	–	283
Current accounts receivables		
Interest free	63	34
Interest bearing (note (ii))	123	–
	186	34

(i) These receivables were carried at amortised cost at effective interest rate of 8% per annum and were early settled in full during the year 2009.

(ii) These receivables are interest bearing as follows:

- the whole amount is interest free from 1 January 2007 to 31 December 2007;
- half of the amount is interest free and the remaining amount bears interest at 5% per annum from 1 January 2008 to 31 December 2008;
- the whole amount bears interest at simple interest rate of 6% per annum from 1 January 2009 to 31 December 2009;
- the full amount bears interest at simple interest rate of 8% per annum from 1 January 2010 to 31 December 2010

These receivable are carried at amortised cost at effective interest rate of 8% (2008: 8%) per annum.

(b) The balance at 31 December 2008 represents the consideration receivable on partial disposals of equity interests in Foresight Profits Limited and Rightchina Limited. These amounts were unsecured, interest bearing at People's Bank of China one-year borrowing rate and were fully settled during the year ended 31 December 2009.

(c) 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 represents deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to RMB1,222 million (2008: RMB694 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% (2008: 0.4% to 1.7%) per annum. The pledged bank deposits carry interest at fixed rates ranging from 0.4% to 1.4% (2008: 0.4% to 4.7%) 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 7.5% (2008: 5.9% to 7.5%) per annum and repayable on or before 24 June 2010.

23. AMOUNTS DUE FROM/TO RELATED PARTIES

Particulars of the amounts due from/to related parties are as follows:

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Amounts due from:			
– shareholders	–	–	1
– fellow subsidiaries	–	62	40
– related companies (note)	73	–	3
Amounts due from related parties	73	62	44
Amounts due to:			
– shareholders	–	1	17
– fellow subsidiaries	–	32	22
– related companies (note)	69	–	–
Amounts due to related parties	69	33	39

Note:

Related companies are subsidiaries or associates of SOCL.

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

24. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

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

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Amounts due from non-controlling shareholders of subsidiaries			
Interest free	17	176	6
Amounts due to non-controlling shareholders of subsidiaries			
Interest free	191	172	792
Interest bearing at 5 % per annum	84	84	84
Interest bearing at 7.6 % per annum	200	–	–
Interest bearing at 8 % per annum	–	502	–
	475	758	876

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

25. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million (Restated)	RMB'million (Restated)
Trade payables aged analysis:			
Not yet due	1,138	691	495
Within 30 days	5	85	288
31 – 60 days	6	9	–
61 – 90 days	2	1	1
Over 90 days	–	4	1
	1,151	790	785
Retention payables (note)	128	120	78
Deed tax, business tax and other tax payables	442	678	498
Deposits received and receipt in advance from property sales	2,235	2,480	909
Deposits received and receipt in advance in respect of rental of investment properties	174	156	142
Accrued charges	175	194	169
	4,305	4,418	2,581

Note:

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

26. BANK BORROWINGS

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Repayable within a period of			
– Not more than 1 year or on demand	2,098	1,953	1,514
– More than 1 year, but not exceeding 2 years	934	1,550	586
– More than 2 years, but not exceeding 5 years	6,684	4,346	2,149
– More than 5 years	487	349	156
	10,203	8,198	4,405
Less: Amount due within one year shown under current liabilities	(2,098)	(1,953)	(1,514)
Amount due after one year	8,105	6,245	2,891

26. BANK BORROWINGS (CONTINUED)

The carrying amount of the Group's bank loans is analysed as follows:

Denominated in	Interest rate	31 December 2009 RMB'million	31 December 2008 RMB'million
RMB	95% to 115 % (2008: 90% to 110%) of People's Bank of China ("PBOC") Prescribed Interest Rate	3,595	1,794
Hong Kong dollars	Hong Kong Interbank Offered Rates ("HIBOR") plus 2 % to 4.5 % (2008: HIBOR plus 0.85% to 4.5%)	6,349	5,654
United States dollars	London Interbank Offered Rates ("LIBOR") plus 0 % to 2.5 % (2008: LIBOR plus 6% to 10%)	259	750
		10,203	8,198

As of 31 December 2009, the weighted average effective interest rate on the bank loans was 4.1% (2008: 6.0%), and is further analysed as follows:

	31 December 2009	31 December 2008
Denominated in RMB	5.7%	5.5%
Denominated in Hong Kong dollars	3.3%	5.5%
Denominated in United States dollars	2.8%	10.8%

The bank loans as at the end of the reporting period were secured by the pledge of assets as set out in note 39.

27. 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.

(a) Interest rate swaps

At 31 December 2009 and 2008, 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 3.32% to 3.58% based on the notional amounts of 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\$4,581 million which bear variable interest rates at HIBOR plus spread ranging from 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 2009, fair value gain arising from the interest rate swaps of RMB45 million (2008: RMB136 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.

27. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS (CONTINUED)

(b) Cross currency interest rate swaps

At 1 January 2008, the Group had outstanding cross currency interest rate swaps to receive interest at a fixed rate of 8.5% per annum based on a notional amount of US\$375 million, pay interest at a fixed rate of 5.2% per annum based on the notional amount of RMB2,931 million and to exchange the principal at maturity to receive US\$375 million and pay RMB2,931 million. The Group had designated the cross currency interest rate swaps as hedging instruments against the variability of cash flows arising from the fluctuation of currency in relation to the notes issued by the Group. The terms of the cross currency interest rate swaps had been negotiated to match the terms of the notes.

In April 2008, the cross currency interest rate swaps were early terminated. The fair value loss arising from the cross currency interest rate swaps of RMB158 million had been initially dealt with in the hedge reserve; an amount of RMB104 million was recognised in the consolidated income statement in line with the corresponding exchange gain recognised in respect of the notes liability designated as the hedge item. The residual balance of the hedge reserve amounting to RMB138 million was recognised in the consolidated income statement upon the maturity of the notes in October 2008.

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 2008 and 31 December 2008	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
		31 December 2009	31 December 2008	1 January 2008
		RMB'million	RMB'million	RMB'million
Shown in the consolidated statement of financial position as		99	84	84

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.

The issue price of HK\$4.87 per share, representing a discount of approximately 7% to the closing price of HK\$5.24 per share of the Company on 10 June 2009. The Directors consider that the terms of the new issue are on normal commercial terms and are fair and reasonable based on the then market conditions and the new issue is 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 interests 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 2009, an amount of RMB205 million (2008 restated: RMB50 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 (2008: nil) was released to the consolidated income statement upon recognition of fair value changes of the related assets.

During the year ended 31 December 2008, an amount of RMB17 million was released to the consolidated income statement upon the partial disposal of equity interests in subsidiaries (Note 35(b)).

- (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, as set out in note 30(a); and
- (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.

30. LOANS FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Non-current	670	670	93
Current	442	199	100
	1,112	869	193

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

Denominated in	Interest rate per annum	31 December 2009	31 December 2008
		RMB'million	RMB'million
RMB	Interest free (Note a)	–	199
United States dollars	Interest free (Note b)	442	–
United States dollars	8.4% (2008: 8.4%) (Note c)	670	670
		1,112	869

Notes:

- (a) The amount at 31 December 2008 was unsecured and repayable on demand. The amount was carried at amortised cost at effective rate of 5.3% per annum.
(b) The loan is unsecured and repayable on demand.
(c) The loan is unsecured and not repayable in the next twelve months from the end of the reporting period.

31. LOAN FROM A DIRECTOR

The loan was denominated in United States dollars, unsecured, interest bearing at London Interbank Offered Rate plus 8% and had no fixed terms of repayment. The loan was fully repaid during the year 2009.

32. 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 2008	142	1,034	(24)	146	–	(26)	1,272
Effect of retrospective adoption of IFRIC 15	–	–	–	(165)	–	–	(165)
At 1 January 2008 as restated	142	1,034	(24)	(19)	–	(26)	1,107
Overprovision in prior year	–	–	–	–	–	(87)	(87)
Transfer from current tax liabilities	563	–	–	–	–	–	563
Charge (credit) to consolidated income statement	78	96	(7)	(21)	19	8	173
At 31 December 2008	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

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32. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

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:

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million (Restated)	RMB'million (Restated)
Deferred tax assets	(139)	(146)	(124)
Deferred tax liabilities	2,192	1,902	1,231
	2,053	1,756	1,107

At the end of the reporting period, the Group had unused tax losses of RMB633 million (2008: RMB554 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB160 million (2008: RMB126 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB473 million (2008: RMB428 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
2009	–	15
2010	46	50
2011	45	35
2012	73	68
2013	268	260
2014	41	–
	473	428

33. ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN SUBSIDIARIES

On 29 July 2009, the Group entered into a sale and purchase agreement with the non-controlling shareholders of Globe State Properties Limited (“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 for the year ended 31 December 2009.

34. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of entire equity interest in Silomax Limited

Pursuant to a sale and purchase agreement dated 26 February 2008 entered into between Foresight Profits Limited (“Foresight”), an indirect then wholly-owned subsidiary of the Company, as purchaser and Smithton Limited (“Smithton”), an indirect wholly-owned subsidiary of SOCL, as seller, Foresight agreed to acquire from Smithton its entire investment in the issued capital of Silomax Limited (“Silomax”) and the loan owed by Silomax to Smithton in the amount of approximately HK\$147 million (equivalent to RMB138 million) for a consideration of approximately HK\$154 million (equivalent to RMB145 million). Silomax is the indirect owner of the project company holding Shanghai Rui Hong Xin Cheng Phase I.

The transaction was accounted for as purchase of assets and liabilities rather than as business combination as the subsidiaries acquired are investment and property holding companies with no business concerns.

(b) Acquisition of 50% equity interest in Feng Cheng Property Management Service Limited

Pursuant to a sale and purchase agreement dated 2 October 2008 entered into between Billion World Limited (“Billion World”), an indirect then wholly-owned subsidiary of the Company, as purchaser and Synergis Property & Facility Management (China) Limited (“Synergis”) as seller, Billion World agreed to acquire from Synergis its entire investment in the issued capital of Feng Cheng Property Management Service Limited (“Feng Cheng”, previously known as Synergis Shui On Management Services (Shanghai) Limited), together with a loan due by Feng Cheng to Synergis of RMB2 million, for an aggregate consideration of HK\$6 million (equivalent to RMB5 million). Since then, Feng Cheng has become an indirect wholly-owned subsidiary of the Company.

Prior to the aforesaid acquisition, Feng Cheng was an associate of the Group, as the Group held a 50% equity interest in Feng Cheng and was able to exercise significant influence over Feng Cheng because the Group had the power to appoint 2 out of the 5 directors of Feng Cheng.

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The net assets acquired in the above transactions were as follows:

	Acquisition of Silomax RMB'million	Acquisition of Feng Cheng RMB'million	Total RMB'million
Net assets acquired:			
Investment properties	48	–	48
Property, plant and equipment	60	–	60
Properties held for sale	1	–	1
Amounts due from related companies	23	–	23
Accounts receivable, deposits and prepayments	2	2	4
Bank balances and cash	14	5	19
Loan from Smithton	(138)	–	(138)
Amounts due to related companies	–	(3)	(3)
Other payables and accrued charges	(3)	(1)	(4)
	7	3	10
Assignment of loan from Silomax	138	–	138
Assignment of loan from Synergis	–	2	2
Net assets acquired	145	5	150
Total consideration satisfied by:			
Cash	114	5	119
Other payable (note)	31	–	31
	145	5	150
Net cash outflow arising on acquisition:			
Bank balances and cash acquired	14	5	19
Cash consideration paid	(114)	(5)	(119)
	(100)	–	(100)

Note:

The amount is unsecured, interest free and repayable on demand.

Pursuant to the sales and purchase agreement, all profits or losses of Silomax and its subsidiaries arising on or after 31 December 2007 shall be attributable to the Group. During the year ended 31 December 2008, Silomax and its subsidiaries contributed turnover and profit of RMB7 million and RMB5 million to the Group, respectively.

35. PARTIAL DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Gain on partial disposals of equity interests whilst retaining control of subsidiaries:		
– 25% of the issued share capital of Rightchina Limited (note a)	–	1,021
– 25% of the issued share capital of Foresight Profits Limited (note b)	–	862
	–	1,883

(a) Disposal of 25% of the issued share capital of Rightchina Limited

Pursuant to a sale and purchase agreement dated 21 August 2008, as amended by a supplemental agreement dated 29 August 2008, entered into between Score High Limited (“Score High”), an indirectly held subsidiary in which the Group has an 80.2% equity interest, as seller and Winnington Capital Limited (“WCL”, a non-controlling shareholder who holds a 19.8% equity interest in Score High) as purchaser, Score High agreed to sell to WCL 25% of the issued share capital of Rightchina Limited (“Rightchina”), a then wholly-owned subsidiary of Score High, at a consideration of RMB1,021 million in cash.

The first and second instalments with aggregate sum of RMB817 million were received by the Group during the year ended 31 December 2008. The third instalment in the sum of RMB204 million, which bore interest at the PBOC Prescribed Interest Rate, was received on 31 March 2009.

A gain of RMB1,021 million which arose from the above partial disposal has been recognised in the consolidated income statement for the year ended 31 December 2008.

Pursuant to this sale and purchase agreement, Score High also granted a call option to WCL for the acquisition of a further 25% of the issued share capital of Rightchina and the assignment to WCL the related shareholders’ loans, at an exercise price of RMB1,072 million plus an amount equivalent to the shareholders’ loans. This call option was exercisable during the period commencing from 1 December 2008 to 31 December 2008 and the call option was not exercised during that period. On 6 January 2009, Score High entered into a supplemental deed with WCL and extended the exercisable period to 30 April 2009. The call option was not exercised during these periods.

(b) Disposal of 25% of the issued share capital of Foresight Profits Limited

Pursuant to a sale and purchase agreement dated 19 May 2008 entered into between Shui On Development (Holding) Limited (“SOD”), a wholly owned subsidiary of the Company, as seller and WCL as purchaser, SOD agreed to sell to WCL 25% of the issued share capital of Foresight, a then wholly owned subsidiary of SOD, at a consideration of RMB1,125 million in cash. The first instalment in the sum of RMB990 million was received by the Group in June 2008 upon the completion of the transaction. The second instalment in the sum of RMB135 million, which bore interest at the PBOC Prescribed Interest Rate, was received in March 2009.

A gain of RMB862 million which arose from the above partial disposal has been recognised in the consolidated income statement for the year ended 31 December 2008.

Pursuant to this sale and purchase agreement, SOD also granted a call option to WCL for the acquisition of a further 24% of the issued share capital of Foresight at an exercise price of RMB1,134 million. This call option was exercisable during the period commencing from 1 December 2008 to 31 December 2008 and the call option was not exercised during that period. On 6 January 2009, SOD entered into a supplemental deed with WCL and extended the exercisable period to 30 April 2009. The call option was not exercised during these periods.

36. 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 2009, 166,375,605 share options (2008: 262,727,583 share options) remained outstanding under the Scheme, representing 3.3% (2008: 6.3%) 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 on 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.

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Other than the replacement of options as mentioned above, no share options were granted during the year ended 31 December 2009. Details of the share options granted during the year end 31 December 2008 were as follows:

Date of grant	Exercise price HK\$	Closing share price at date of grant HK\$	Weighted average estimated fair value at date of grant HK\$	Number of share options granted
2 January 2008	8.97	8.90	3.35	3,725,183
1 February 2008	8.05	8.05	2.93	2,419,238
3 March 2008	7.68	7.68	2.80	813,794
2 May 2008	7.93	7.93	2.91	9,722,499
2 June 2008	7.34	7.34	2.75	15,905,938
2 July 2008	6.46	6.30	2.39	1,784,027
3 November 2008	1.60	1.60	0.65	100,250,000
				134,620,679

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2008
Expected volatility	40% to 45%
Expected life	4.57 to 8.79 years
Risk-free rate	1.90% to 3.51%
Expected dividend yield	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 share options granted during the year ended 31 December 2008 was determined by using the volatility of the listed companies in the same industry over the previous 7 years.

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

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

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36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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 RMB47 million (2008: RMB54 million) in the consolidated income statement in relation to share options granted by the Company.

During the years ended 31 December 2009 and 2008, none of the share options were exercised.

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

Date of grant	Exercise price HK\$	Number of options				At 31 December 2009
		At 1 January 2009	Granted during the year	Replacement during the year	Lapsed during the year	
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

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Date of grant	Exercise price HK\$	Number of options				
		At 1 January 2008	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2008
20 June 2007	7.00	137,666,798	–	–	(18,919,254)	118,747,544
1 August 2007	8.18	1,435,193	–	–	(64,180)	1,371,013
2 October 2007	10.00	5,200,000	–	–	(355,000)	4,845,000
1 November 2007	11.78	4,505,498	–	–	(233,444)	4,272,054
3 December 2007	9.88	1,601,700	–	–	(101,212)	1,500,488
2 January 2008	8.97	–	3,725,183	–	(275,917)	3,449,266
1 February 2008	8.05	–	2,419,238	–	(319,872)	2,099,366
3 March 2008	7.68	–	813,794	–	(39,062)	774,732
2 May 2008	7.93	–	9,722,499	–	(1,926,225)	7,796,274
2 June 2008	7.34	–	15,905,938	–	(68,119)	15,837,819
2 July 2008	6.46	–	1,784,027	–	–	1,784,027
3 November 2008	1.60	–	100,250,000	–	–	100,250,000
		150,409,189	134,620,679	–	(22,302,285)	262,727,583
Number of options exercisable		3,700,000				3,900,000

37. 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 2009 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.

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37. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (Continued)

The Plan (Continued)

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2009 and 31 December 2008 by Ms. Elaine Hwang of Watson Wyatt 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:

	31 December 2009	31 December 2008
Discount rate	2.6%	1.2%
Expected rate of salary increase	2010 : 4% 2011+ : 5%	2009 : 2% 2010+ : 5%
Expected rate of return on plan assets	7.25%	8%

The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31 December 2009 was RMB57 million (2008: RMB44 million), representing 61% (2008: 44%) of the benefits that had accrued to members.

Amounts recognised in the consolidated income statement for the year ended 31 December 2009 and 31 December 2008 in respect of the defined benefit plan are as follows:

	31 December 2009 RMB'million	31 December 2008 RMB'million
Current service cost	4	4
Interest cost	1	3
Expected return on plan assets	(3)	(6)
Net actuarial losses recognised during the year	5	1
Net amount charged to consolidated income statement as staff costs	7	2

The actual returns on plan assets allocated to the Group for the year ended 31 December 2009 were gains of RMB15 million (2008: losses of RMB25 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:

	31 December 2009 RMB'million	31 December 2008 RMB'million	1 January 2008 RMB'million
Present value of funded defined benefit obligations	94	99	89
Unrecognised actuarial losses	(35)	(59)	(20)
Fair value of plan assets	(57)	(44)	(75)
Defined benefit liabilities (assets)	2	(4)	(6)

37. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (Continued)

The Plan (Continued)

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

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
At 1 January	99	89
Exchange realignment	–	(5)
Current service cost	4	4
Interest cost	1	3
Contributions from plan participants	1	1
Actuarial (gains) losses	(8)	11
Transfer-out liabilities	(2)	(1)
Benefits paid	(1)	(3)
At 31 December	94	99

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

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
At 1 January	(44)	(75)
Exchange realignment	–	4
Expected return on plan assets	(3)	(6)
Actuarial losses (gains)	(11)	31
Contributions from the employer	(1)	(1)
Contributions from plan participants	(1)	(1)
Benefits paid	1	3
Transfer-in assets	2	1
At 31 December	(57)	(44)

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

	31 December 2009 RMB'million	31 December 2008 RMB'million
Equities	30	20
Hedge funds	15	13
Bonds and cash	12	11
	57	44

The Group expects to make a contribution of RMB1 million (2008: 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.

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38. NOTES AND WARRANTS

On 12 October 2005, the Company, being issuer of warrants, and Shui On Development (Holding) Limited (the "Note Issuer"), a wholly owned subsidiary of the Company, issued 1,750 Class A Units and 2,000 Class B Units (together referred to as the "Units"). Each Class A Unit consists of one US\$100,000 principal amount note and 1,071 warrants and each Class B Unit consists of one US\$100,000 principal amount note and 1,000 warrants. The notes and the warrants were immediately separable upon the issue date.

The principal terms of the notes

The notes were:

- (a) general, unsecured obligations of the Note Issuer;
- (b) senior in right of payment to any existing and future obligations of the Note Issuer expressly subordinated in right of payment to the notes;
- (c) pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Note Issuer (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and
- (d) effectively subordinated to all existing and future obligations of the Note Issuer's subsidiaries.

The notes bore interest at the rate of 8.5% per annum, payable semi-annually in arrears and was matured and redeemed at par on 12 October 2008.

The Note Issuer might, at its option, redeem all or part of the notes at the redemption prices equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on 12 October of the years indicated below:

12-month period commencing in year	Percentage
2005	108.50%
2006	104.25%
2007	100.00%

The principal terms of the warrants

Each warrant:

- (a) would be exercisable on 30 June 2007, 31 December 2007, 30 June 2008 or 12 October 2008 or, following a Qualifying IPO (as defined in the warrant agreement), the warrants would be exercisable at any time on or after the date of the Qualifying IPO;
- (b) when exercised prior to a Qualifying IPO would entitle the holder thereof to receive cash from the Company in an amount equal to the Fair Value (as defined in Section 6.01 (g) of the warrant agreement) of, a number of fully paid and non-assessable ordinary shares of the Company equal to X (as defined in Section 4.01 (k) of the warrant agreement) at an exercise price of US\$0.01 per share; subject to adjustments in certain cases as defined in the warrant agreement; and
- (c) when exercised at any time on or after the date of a Qualifying IPO would entitle the holder thereof to receive cash from the Company in an amount equal to the Fair Value of a number of fully paid and non-assessable ordinary shares of the Company equal to Y (as defined in Section 4.01 (k) of the warrant agreement) at an exercise price of US\$0.01 per share, subject to adjustments in certain cases as defined in the warrant agreement; provided that, if the issuance or delivery of ordinary shares by the Company to a holder would not be subject to any pre-emption right of holders of ordinary shares and the exercise price per ordinary shares was equal to or greater than the par value per ordinary share, the Company might deliver, at the Company's sole option, ordinary shares in lieu of cash.

38. NOTES AND WARRANTS (CONTINUED)

The principal terms of the warrants (Continued)

The net proceeds received from the issue of the Units contain the following components that were required to be separately accounted for in accordance with IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”:

- (a) Notes represented the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time of the market interest rate on instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The interest charged for the year was calculated by applying an effective interest rate of approximately 12% to the notes for the year since the Units were issued.

- (b) Warrants represented the fair value of the conversion option.

- (c) The issuer had option to early redeem all or part of the notes during the period from 12 October 2005 to 11 October 2008.

	Notes RMB'million	Early redemption rights RMB'million	Total RMB'million
As of 1 January 2008	2,667	(11)	2,656
Exchange realignment	(130)	(2)	(132)
Interest charged during the year	246	–	246
Interest paid during the year	(221)	–	(221)
Loss on change in fair value	–	13	13
Redeemed during the year	(2,562)	–	(2,562)
As of 31 December 2008 and 2009	–	–	–

39. PLEDGE OF ASSETS

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

	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)
Investment properties	13,243	8,308
Property, plant and equipment	128	129
Prepaid lease payments	43	599
Properties under development	–	197
Properties under development for sale	4,948	1,821
Properties held for sale	406	1,236
Accounts receivable	90	72
Bank deposits	2,019	1,709
	20,877	14,071

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39. PLEDGE OF ASSETS (CONTINUED)

Included in pledged bank deposits above is an amount of RMB265 million (2008: RMB443 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.

40. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned, net of outgoings of RMB10 million (2008: RMB9 million), was RMB532 million (2008: RMB488 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 2009 amounting to RMB7 million (2008: RMB9 million). These contingent rentals are generally based on specified percentage 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:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Within one year	526	527
In the second to fifth years inclusive	780	827
Over five years	100	113
	1,406	1,467

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:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Within one year	46	45
In the second to fifth years inclusive	71	105
Over five years	81	90
	198	240

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 fifteen years.

41. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

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

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Contracted but not provided for:		
Capital expenditure in respect of the acquisition of property, plant and equipment	–	2
Development costs for investment properties under construction or development	3,801	2,623
Development costs for properties under development held for sale	6,293	2,793
	10,094	5,418

- (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 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) Pursuant to an agreement entered into with the district government (the “Luwan Government”) of the Luwan District, Shanghai, the PRC, the Group has committed to build certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in that area. As at 31 December 2008, no construction contracts related to the educational facilities were entered into. As at 31 December 2009, the committed relocation costs related to the educational facilities were included in the commitment of development costs for properties under development held for sale.
- (iv) On 30 November 2007, the Group entered into a Confirmation Agreement with the Land Exchange Center at Chancheng District in Foshan City, Guangdong Province, the PRC confirming the Group’s successful bid for a plot of land in Foshan. Under this Confirmation Agreement, total consideration for acquiring the land use rights is RMB7,510 million, against which RMB3,186 million has been paid to the Land Exchange Centre up to 31 December 2009 (2008: RMB2,864 million), of which RMB994 million has been recognised as investment properties under construction or development (2008: RMB1,232 million recognised as prepaid leave payment) under non-current assets and the remaining RMB2,192 million (2008: RMB1,632 million) as property under development for sale under current assets. The remaining balance of RMB4,324 million (2008: RMB4,646 million) will be paid in stages in line with the relocation progress of the land.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(a) Capital and other commitments (Continued)

- (v) 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 investments in associates contracted but not provided for in the consolidated financial statements amounting to approximately RMB121 million (2008: RMB121 million).

(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 (2008: 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 2009, no amount had been drawn down under this arrangement (2008: nil).
- (ii) As at 31 December 2009, the Group has issued guarantees amounting to RMB528 million (2008: RMB528 million) to banks in respect of banking facilities granted to an associate, in which the associate has drawn down bank loans amounting to RMB480 million (2008: 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 positions as at 31 December 2009 and 31 December 2008.

42. MAJOR NON-CASH TRANSACTIONS

Details of the non-cash transactions entered into during the years ended 31 December 2009 and 2008 in relation to the acquisitions of interests in subsidiaries are set out in note 34.

43. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 17, 18, 23, 24, 30, 31, 34 and 41, 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

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Project construction costs	196	248
Rental and building management fee expenses	36	28
Project management fee income	1	4
Rental and building management fee income	2	4
Interest income	1	1

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million (Restated)
Associates		
Project management fee income	8	–
Building management fee expenses	–	3
Imputed interest income	55	89
Interest income	11	11
Non-controlling shareholders of subsidiaries		
Interest income	2	30
Imputed interest expenses	1	6
Interest expenses	102	92
Project management fee expenses	7	4
Jointly controlled entity		
Rental and building management fee income	4	3
A director		
Interest expenses	35	9
Senior management		
Property sales	43	12
Close family members of senior management		
Property sales	20	5

44. EVENT AFTER THE REPORTING PERIOD

On 5 March 2010, the Group successfully bid for a land parcel in the Yangpu district, Shanghai with developable area of 159,600 sq.m. at a consideration of RMB1,264 million.

45. 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 borrowings disclosed in note 26 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 bank 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.

45. CAPITAL RISK MANAGEMENT (CONTINUED)

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

	31 December 2009	31 December 2008
	RMB'million	RMB'million (Restated)
Bank borrowings	10,203	8,198
Pledged bank deposits	(2,019)	(1,709)
Bank balances and cash	(2,928)	(1,671)
Net debt	5,256	4,818
Total equity	22,574	18,175
Net debt to total equity	23%	27%

46. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31 December 2009	31 December 2008
	RMB'million	RMB'million (Restated)
Financial assets		
Loans and receivables (including bank balances and cash)	7,827	7,083
Financial liabilities		
Derivative instruments designated on the hedge accounting	211	256
Amortised cost	13,974	12,363

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 parties, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, accounts payable, amounts due to related parties, 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 to policies for managing each of these risks and they are summarised below.

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

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.

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

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Hong Kong dollar ("HKD")		
Assets	2,006	1,640
Liabilities	6,458	6,046
United States dollar ("USD")		
Assets	313	562
Liabilities	1,285	2,046

Sensitivity analysis

The Group is mainly exposed to the currency of HKD and USD.

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.

		Year ended 31 December	
	Notes	2009	2008
		RMB'million	RMB'million
HK dollar			
Profit or loss	(i)	212	210
US dollar			
Profit or loss	(ii)	46	71

Notes:

- (i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HKD not subject to cash flow hedge at year end.
- (ii) This is mainly attributable to the exposure outstanding on receivables and payables denominated in USD 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 HKD and USD against RMB and increase in foreign currency bank borrowings.

46. 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 and PBOC prescribed interest rate arising from the Group's HKD 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 27(a).

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 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 2009 would have decreased/increased by RMB17 million (2008: RMB21 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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 and loans receivable. 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.

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

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 2009 where the largest debtor amounting to approximately RMB123 million (2008: RMB162 million) arising from sales of properties, loans to associates of RMB1,273 million (2008: RMB1,331 million) and loans receivable of RMB378 million (2008: RMB414 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.

The following tables detail the maturities of the Group's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include 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 31.12.2009
	%	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 parties	–	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

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

	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 31.12.2008
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2008 (Restated)							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	1,938	–	–	–	1,938	1,938
Bank borrowings at variable rates	6.0%	2,408	1,879	4,762	416	9,465	8,198
Amounts due to related parties	–	33	–	–	–	33	33
Amounts due to non-controlling shareholders of subsidiaries	6.0%	802	–	–	–	802	758
Loans from non-controlling shareholders of subsidiaries							
– variable rate	8.4%	56	55	168	726	1,005	670
– interest free	–	200	–	–	–	200	199
Loan from a director	8.0%	45	612	–	–	657	567
Financial guarantee contracts	–	528	–	–	–	528	–
		6,010	2,546	4,930	1,142	14,628	12,363
Derivatives – net settlement							
Cash flow hedge instruments		98	98	98	–	294	256

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.

46. FINANCIAL INSTRUMENTS (CONTINUED)

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. 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 gain of RMB45 million (2008: RMB136 million) related to interest rate swaps designated in cash flow hedge held at the end of the reporting period.

47. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2009 RMB'million	31 December 2008 RMB'million
Investments in subsidiaries	2,413	1,237
Loan to a subsidiary	6,365	–
Amounts due from subsidiaries	2,203	8,206
Other prepayments	22	–
Bank balances	–	22
Total assets	11,003	9,465
Amounts due to a non-controlling shareholder	–	502
Total liabilities	–	502
Net assets	11,003	8,963
Share capital	99	84
Reserves	10,904	8,879
Total equity	11,003	8,963

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48. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2009 and 2008 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)		Place of operation	Principal activities
			2009	2008		
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%	70%	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 capital US\$230,000,000 Paid up capital US\$205,535,050	79.4%	79.4%	PRC	Property development
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%	70%	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
Dali Shui On Management Consultation Co., Ltd.	PRC 9 September 2008	Registered and paid up capital US\$500,000	100%	100%	PRC	Provision of management services

48. PARTICULARS OF THE 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)		Place of operation	Principal activities
			2009	2008		
Dailian Yingjia Science and Technology Development Co., Ltd	PRC 3 December 2009	Registered and paid up capital US\$230,000,000	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
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 RMB104,794,604	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 RMB104,029,965	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 RMB103,742,060	100%	100%	PRC	Property development
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered capital RMB700,000,000 Paid up capital RMB669,397,251	100%	100%	PRC	Property development
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

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48. PARTICULARS OF THE 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)		Place of operation	Principal activities
			2009	2008		
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US\$1 each	100%	70%	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	2 A ordinary shares of HK\$1 each and 2 B ordinary shares of HK\$1 each	A shares: 80.2% B shares: 60.15%	80.2% 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 capital US\$51,800,000 Paid up capital US\$40,612,333	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
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US\$1	75%	100%	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
Kunming Shui Fang Management Consultation Co., Ltd.	PRC 28 May 2008	Registered and paid up capital US\$500,000	100%	100%	PRC	Provision of management services
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

48. PARTICULARS OF THE 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)		Place of operation	Principal activities
			2009	2008		
Lijiang Shui On Management Consultation Co., Ltd.	PRC 10 November 2008	Registered and paid up capital US\$500,000	100%	100%	PRC	Provision of management services
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
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	1 ordinary share of US\$1	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

48. PARTICULARS OF THE 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)		Place of operation	Principal activities
			2009	2008		
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	97%	PRC	Property development
Shanghai Feng Cheng Property Management Co., Ltd (previously known as Synergis Shui On Property Management (Shanghai))	PRC 18 January 2004	Registered and paid up capital US\$375,000	100%	100%	PRC	Property management
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered capital US\$35,773,000 Paid up capital US\$9,376,343	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
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	97%	PRC	Property development
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. (Note 5)	PRC 5 March 2009	Registered capital RMB920,000,000 Paid up capital RMB477,312,089	49.98%	–	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	99%	69.3%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd.	PRC 20 February 2004	Registered and paid up capital US\$82,500,000	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
Shanghai Rui Qiao Enterprise Management Co., Ltd.	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	70%	–	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered capital RMB2,000,000,000 Paid up capital RMB1,622,415,680	74.25%	74.25%	PRC	Property development
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 Synergies Shui On Yang Pu Property Management Co., Ltd.	PRC 27 January 2006	Registered and paid up capital RMB500,000	90%	90%	PRC	Property management
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

48. PARTICULARS OF THE 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)		Place of operation	Principal activities
			2009	2008		
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	97%	PRC	Property development
Shanghai Xing Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	99%	PRC	Property development
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	97%	PRC	Property development
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered capital US\$115,000,000 Paid up capital US\$95,868,834	99%	99%	PRC	Property development
Shanghai Yang Pu Centre Development Co., Ltd. (Note 6)	PRC 26 August 2003	Registered capital US\$137,500,000 Paid up capital US\$85,500,000	70%	70%	PRC	Property development
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US\$0.01 each	100%	100%	PRC	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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

48. PARTICULARS OF THE 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)		Place of operation	Principal activities
			2009	2008		
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
Sinotink 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	1 ordinary share 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%	100%	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\$238,000,000	75%	75%	PRC	Property development
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
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\$5,350,000	100%	100%	PRC	Provision of management services

Notes:

- 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.
- All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Hangzhou Xihu Tiandi Property Co., Ltd. Wuhan Shui On Tian Di Trading Co., Ltd., and 上海瑞安房地產發展有限公司 (Shui On Development Limited) which are wholly foreign owned enterprises.
- Except for Shui On Development (Holding) Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2009 or at any time during the year.
- 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.
- The Group holds 51% equity interest in Portspin, 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%.
- The registered capital in Shanghai Yang Pu Centre Development Co., Ltd. ("KIC") shall be increased from US\$60,500,000 to US\$137,500,000, by US\$77,000,000 pursuant to an amendment agreement dated 14 August 2008 (the "Amendment Agreement") entered into between Bright Continental Limited ("BCL", an indirect wholly owned subsidiary) and Shanghai Yuangu Knowledge and Innovation Zone Investment and Development Company Limited ("SYKIZ"). BCL shall inject the entire portion of the increase in equity capital of US\$77,000,000 and at a premium of US\$8,470,000 in cash (being US\$85,470,000 in total). SYKIZ will not participate in injecting any additional equity capital into KIC. As a result of the completion of the Amendment Agreement, the interest of BCL in the equity capital of KIC will be increased from 70.0% to 86.8% by 16.8% and SYKIZ's interest will be diluted from 30% to 13.2% by 16.8%.

FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT SUMMARY

for the year ended 31 December

	2005	2006	2007	2008	2009
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Turnover	1,018	4,729	4,570	2,066	6,758
Profit attributable to shareholders	380	1,146	2,462	1,798	2,673
Non-controlling interests	166	494	405	270	(80)
Profit for the year	546	1,640	2,867	2,068	2,593

CONSOLIDATED STATEMENT OF FINANCIAL POSITION SUMMARY

as of 31 December

	2005	2006	2007	2008	2009
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Investment properties	5,877	6,205	7,994	8,466	21,206
Property, plant and equipment	168	188	260	343	356
Prepaid lease payments	2,665	3,710	4,325	6,290	43
Properties under development	6,371	6,509	8,015	10,197	11,532
Properties held for sale	157	1,799	325	3,090	627
Interests in and loans to associates	3	3	1,066	1,627	2,135
Accounts receivable, deposits and prepayments	712	1,594	3,789	1,270	992
Other assets	278	373	408	1,252	754
Pledged bank deposits, bank balances and cash	2,398	5,654	3,697	3,380	4,947
Total assets	18,629	26,035	29,879	35,915	42,592
Current liabilities	5,146	3,829	8,828	8,100	8,838
Non-current liabilities	8,421	7,041	4,345	9,640	11,180
Total liabilities	13,567	10,870	13,173	17,740	20,018
Net assets	5,062	15,165	16,706	18,175	22,574
Equity attributable to:					
Shareholders of the Company	4,756	13,952	15,878	16,863	21,579
Non-controlling interests	306	1,213	828	1,312	995
Total equity	5,062	15,165	16,706	18,175	22,574

PER SHARE DATA

for the year ended 31 December

	2005	2006	2007	2008	2009
Basic earnings per share (RMB)	0.22	0.48	0.59	0.39	0.55
Dividend per share					
– Interim paid (HK\$)	–	–	0.05	0.07	0.01
– Final proposed (HK\$)	–	0.06	0.10	0.01	0.12
– Full year (HK\$)	–	0.06	0.15	0.08	0.13
Bonus shares	–	–	–	1 for 10	–

Note:

The financial summary in respect of the financial years 2005 to 2007 as shown above have not been restated to account for the impact of the adoption of IFRIC 15 "Agreement for the Construction of Real Estate" issued by the IASB.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Vincent H. S. LO
(Chairman & Chief Executive Officer)

Mr. Louis H. W. WONG
(Managing Director – Project Management)

Mr. Daniel Y. K. WAN
(Managing Director & Chief Financial Officer)

Non-executive Director

The Honourable LEUNG Chun Ying

Independent Non-executive Directors

Sir John R. H. BOND

Dr. Edgar W. K. CHENG

Dr. William K. L. FUNG

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Mr. David J. SHAW

AUDIT COMMITTEE

Professor Gary C. BIDDLE *(Chairman)*

Dr. Edgar W. K. CHENG

Dr. Roger L. McCARTHY

REMUNERATION COMMITTEE

Dr. William K. L. FUNG *(Chairman)*

Mr. Vincent H. S. LO

Professor Gary C. BIDDLE

NOMINATION COMMITTEE

Mr. Vincent H. S. LO *(Chairman)*

Sir John R. H. BOND

Professor Gary C. BIDDLE

FINANCE COMMITTEE

Mr. Vincent H. S. LO *(Chairman)*

Sir John R. H. BOND

Dr. William K. L. FUNG

Professor Gary C. BIDDLE

Mr. Louis H. W. WONG

Mr. Daniel Y. K. WAN

COMPANY SECRETARY

Mr. UY Kim Lun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Freshfields Bruckhaus Deringer

Mayer Brown JSM

REGISTERED OFFICE

Walker House, 87 Mary Street

George Town

Grand Cayman KY1-9005

Cayman Islands

CORPORATE HEADQUARTERS

26/F, Shui On Plaza

333 Huai Hai Zhong Road

Shanghai 200021, PRC

PLACE OF BUSINESS IN HONG KONG

34/F, Shui On Centre

6-8 Harbour Road

Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House, 68 Fort Street

P. O. Box 609

Grand Cayman KY1-1107

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17/F, Hopewell Centre

183 Queen's Road East

Wan Chai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited

China Construction Bank Corporation

Deutsche Bank AG

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China Limited

Standard Chartered Bank Limited

STOCK CODE

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WEBSITE

www.shuionland.com

