SHUI ON LAND LIMITED

stock code 272

OPPORTUNE STRATEGY TIMELY MOVES

ANNUAL REPORT 2008

OPPORTUNE STRATEGY TIMELY MOVES

Chinese chess is the quintessence of Chinese culture, a classic and popular game that dates back thousands of years. In order to win, the participants have to be not only strategic and visionary in their thinking, but also to make timely decisions that are appropriate for every moment in the game, matching each step of the competition with the right defensive or attacking move.

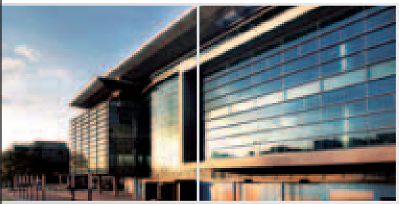
We at Shui On Land believe that our business plan reflects the ageless traditions of Chinese chess. Our chessboard is China, where through our **prudence** we became a pioneer property developer. The **timely** nature of our moves is another strand of our strategy, enabling us to match all our plans with the movements of the market. Our success is also due to our holistic **master-planning**, since we strive to expertly transform the city and district locations that we choose and we bring the "Live - Work - Play" concept to both the city location and to our customers.

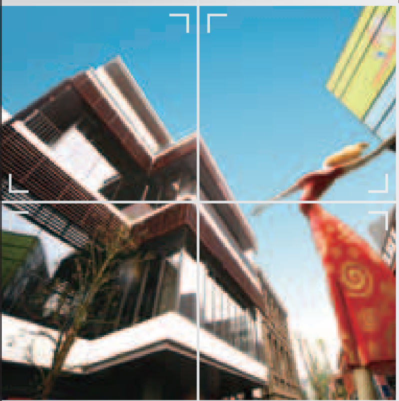
Our **readiness** lies in our visionary, experienced leadership and the team spirit of our management and employees. These core strengths allow Shui On Land to seek out new strategic partners, to carefully structure our organisation, to fulfil our responsibilities towards society and the environment, and to develop the highest standards of corporate governance.

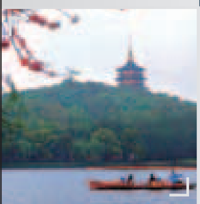
CONTENTS

PRUDENCE

To be a pioneer in China's property market requires careful foresight, and the attentiveness to make the right move at the right time. Prudence is essential to our planning. In a large market offering many opportunities, it is important to differentiate between options. We select the most suitable choice for our ongoing success.








INNOVATIVE DEVELOPER IN CHINA

Headquartered in Shanghai, Shui On Land Limited (Stock Code: 272) is the flagship property development company of the Shui On Group in the Chinese Mainland. Shui On Land has a proven track record in master-planning and developing large-scale, mixed-use city-core projects and integrated developments in the Chinese Mainland. The Company has access to approximately 13.2 million sq.m. of gross floor area (GFA) including public facilities, and currently has eight projects in various stages of development in Shanghai, Hangzhou, Chongqing, Wuhan, Dalian and Foshan. The Company was listed on The Stock Exchange of Hong Kong Limited on 4 October 2006 and was included in the 200-Stock Hang Seng Composite Index Series, Hang Seng Freefloat Index Series in March 2007.

As one of China's most visionary and innovative property developers, Shui On Land applies its hallmark approach of master-planning to all of its projects to ensure that all developments are fully consistent with government objectives in economic development and urban planning while simultaneously incorporating local historical and cultural characteristics into its designs and planning.

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.

FINANCIAL HIGHLIGHTS

OPERATING RESULTS FOR THE YEAR ENDED 31 DECEMBER

	2008	2007	2008	2007
	HK$'million	HK$'million	RMB'million	RMB'million
Turnover	3,940	4,689	3,556	4,570
Represented by:				
Property development	3,256	4,191	2,939	4,085
Property investment	657	487	593	474
Others	27	11	24	11
Gross profit	2,251	2,755	2,032	2,685
Profit attributable to shareholders	2,748	2,526	2,480	2,462
Underlying profit attributable to shareholders*	2,453	2,114	2,214	2,060
Basic earnings per share	HK$0.65	HK$0.61	RMB0.59	RMB0.59
Dividend per share				
Interim paid	HK$0.07	HK$0.05	HK$0.07	HK$0.05
Proposed final	HK$0.01#	HK$0.10	HK$0.01#	HK$0.10
Full year	HK$0.08	HK$0.15	HK$0.08	HK$0.15

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 rate of RMB1.000 to HK$1.108 for 2008 and RMB1.000 to HK$1.026 for 2007 being the average exchange rates that prevailed during the respective years.

FINANCIAL POSITION AS OF 31 DECEMBER

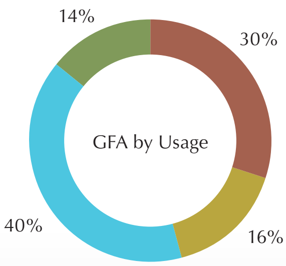
	2008	2007
	RMB'million	RMB'million
Total cash and bank balances	3,380	3,697
Total assets	35,050	29,879
Shareholders' equity	17,808	15,878

FINANCIAL RATIO AS OF 31 DECEMBER

	2008	2007
Current ratio (times)	2.5	1.6
Net gearing ratio^	25%	20%

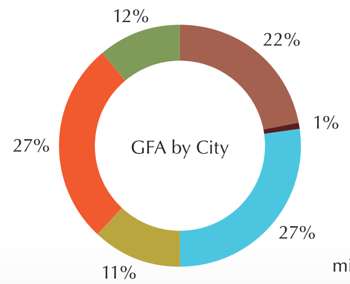
* *Derived after excluding the effect of revaluation of investment properties and fair value adjustment on derivative financial instruments.*
\# *In addition, a bonus issue of shares on the basis of one new share for every ten shares held.*
^ *Calculated on the basis of dividing the excess of the sum of bank loans and/or notes payable over the sum of bank balances and cash by total equity.*

LANDBANK AS OF 31 DECEMBER 2008



million sq.m.

Office	3.9
Retail	2.1
Residential	5.3
Others	1.9
Total GFA	13.2
GFA Attributable to the Group	9.7

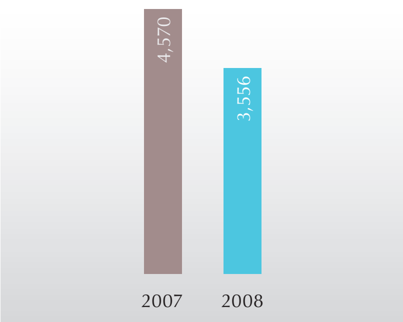


million sq.m.

Shanghai	2.9
Hangzhou	0.1
Chongqing	3.6
Wuhan	1.5
Dalian	3.5
Foshan	1.6
Total GFA	13.2
GFA Attributable to the Group	9.7

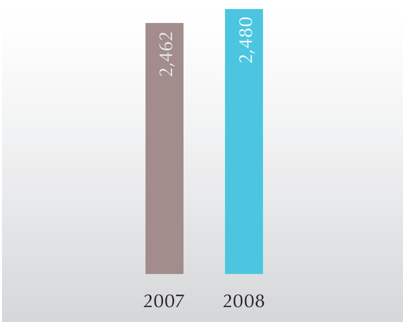
TURNOVER

(RMB'million)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB'million)

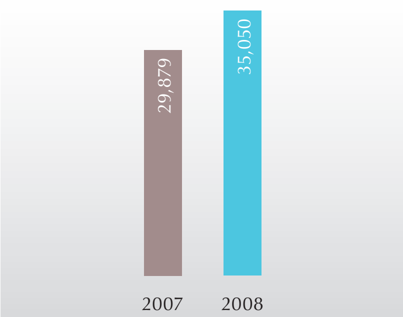


BASIC EARNINGS PER SHARE

(RMB)

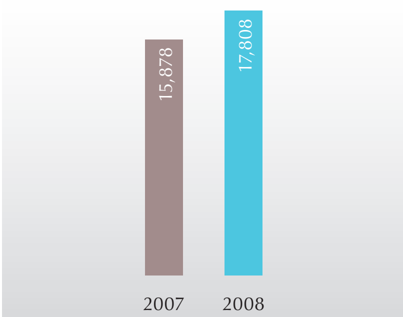
TOTAL ASSETS

(RMB'million)



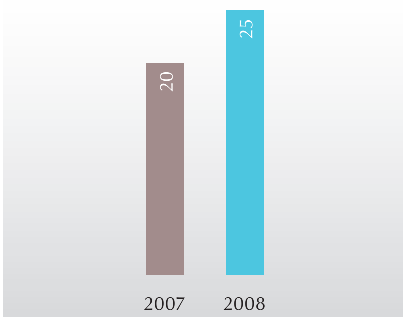
SHAREHOLDERS' EQUITY

(RMB'million)



NET GEARING RATIO^

(%)



TIMELY

Our management makes decisions with precision and responsiveness, allowing us to match our plans with the movements of the market. Time and timeliness are of the essence. We seize the moment and the opportunity, converting our choices into value for the future.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CHAIRMAN'S STATEMENT

"Your Company relied on its sound business model and strategies to respond to the economic challenges and to continue growing the business."

2008 was a challenging year. The subprime crisis drove the global economy into a financial crisis of such proportions that almost every country experienced a severe downturn. The strike was so strong that most of Asia struggled and the China market was also affected. Exports, which are an important engine for China's GDP growth, witnessed a severe drop in the latter part of the year. The high growth rate that the Chinese economy had been experiencing and even the 8% growth target for 2009 has been cast into doubt. The property sector was also impacted, with both sales volume and prices falling across the country. Against this dramatic background, your Company relied on its sound business model and strategies to respond to the economic challenges and to continue growing the business.

I am pleased to report that for the year ended 31 December 2008, we achieved a turnover of RMB3,556 million or HK$3,940 million. Our profit attributable to shareholders was RMB2,480 million or HK$2,748 million while our underlying profit attributable to the Company's shareholders, excluding the revaluation of investment properties and fair-value adjustment on derivative financial instruments, was RMB2,214 million or HK$2,453 million, representing an increase of 1% and 7% over 2007 respectively. Basic earnings per share were RMB0.59 or HK$0.65. In addition to the given interim dividend of HK$0.07, your Directors have proposed a final dividend of HK$0.01 per share for the year 2008, together with a bonus issue of one new share for every ten shares held.*

We issue shares as a bonus to shareholders instead of a higher dividend in cash so that more cash can be preserved for further development. The dividend yield including the bonus share of 2008, was higher this year than that of 2007. While we can rely on larger cash reserves for future development, shareholders can also enjoy and share in the growth of the Company from the bonus issued.

* *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$1.108 for 2008 and RMB1.000 to HK$1.026 for 2007, being the average exchange rates that prevailed during the respective years.*

"The global financial adversity offers space and opportunity for self-improvement...... This is a time when we can further consolidate our business. When the market is more stable and when suitable opportunities arise, we will return to the expansion trail."

We believe that our high quality premises located in prime locations and our integrated master-planned communities together form a winning combination that is rare to find in China. Our projects continued to achieve higher sale prices despite the very depressed market conditions in 2008, which in itself was a testimony to the good market perception of our projects.

Our investment properties also performed well, contributing revenue to the Group of RMB593 million, which is an increase of 25% over the turnover of 2007. We have a proven track record of creating and managing one of the best-known landmarks in China – the Shanghai Xintiandi. Wuhan Tiandi Phase I, which has opened for business since September 2007, is also beginning to make a name for itself in Wuhan.

OPPORTUNE STRATEGY FOR SUSTAINING GROWTH

Our unique business model has proven to be effective even under adverse market conditions. The innovative hallmark approach of creating a total community with mixed-use facilities via master-planning and our phased completion gives us the flexibility to adjust our development focus to cater to market demands and changing conditions.

Shui On Land possesses one of the best landbanks in China, all of which is centrally located within the Mainland's cities. Prime locations combined with high quality premises in well-planned communities ensure that property values will be less susceptible to market fluctuations.

Prudent financial and risk management are of utmost importance to attain consistent performance. Even though the credit environment deteriorated dramatically during the latter part of the year after the collapse of Lehman Brothers, we were able to secure the necessary funds to redeem the Senior Notes of USD375 million, which became due on 12 October 2008, using a combination of internal resources and borrowings from relationship banks.

Property development is capital intensive. Being a relatively young company, our resources are finite. Through strategic partnership, we inject capital and the complementary expertise of our partners into our projects. Strategic partnership can also assist us in our ventures into exciting new growth areas, such as integrated development projects targeting knowledge and tourism.

We have collaborated successfully with various partners in the past, either at a project level or for a particular parcel of development. Our partnerships include developers, contractors, consultants and other equity investors. From 2006 to 2008, we have completed RMB4.8 billion worth of strategic partnerships. We will continue to look for suitable strategic partners who share in our vision, development strategy and mission and who can add value to our projects.

TIMELY MOVES FOR MASTERING CHANGES

While our business model and strategies provide us with a sound foundation and platform for business development, we have also taken decisive and appropriate actions to cater to the market changes.

Before the financial crisis, we were focusing more on value creation and land appreciation in our development programme. However, with the current tight credit environment and the high cost of funds, we are now focusing on maintaining a better and closer balance between value creation and cash generation in our business. We plan to expedite on the production of residential development for sale in the foreseeable future to generate more cash.

GRASPING THE ARISING OPPORTUNITIES FOR FURTHERING EXPANSION

Long-term economic prospects in China remain positive. The property market has shown signs of stabilising with a substantial increase in transaction volume throughout the country. The market will become more buoyant with the help of favourable Government policies in the long-term. The continuous demand for better quality residential and commercial properties due to upgrading and rapid urbanisation will ensure the long-term prospects of our industry.

We have also moved fast to develop and foster a closer relationship with domestic Chinese banks. In recent months, your Company has been granted substantial credit lines by two of the major local banks, namely Agricultural Bank of China and Bank of China.

The global financial adversity offers space and opportunity for self-improvement. In late 2008, we undertook a finance reorganisation exercise that led to the establishment of the Finance Committee under the Board. We are now in the process of setting up the Committee. With the participation of our Independent Non-executive Directors, the role of this Committee will be to establish financial policies to provide oversight and discipline for the overall finance function of your Company.

This is a time when we can further consolidate our business. When the market is more stable and when suitable opportunities arise, we will return to the expansion trail.

APPRECIATION

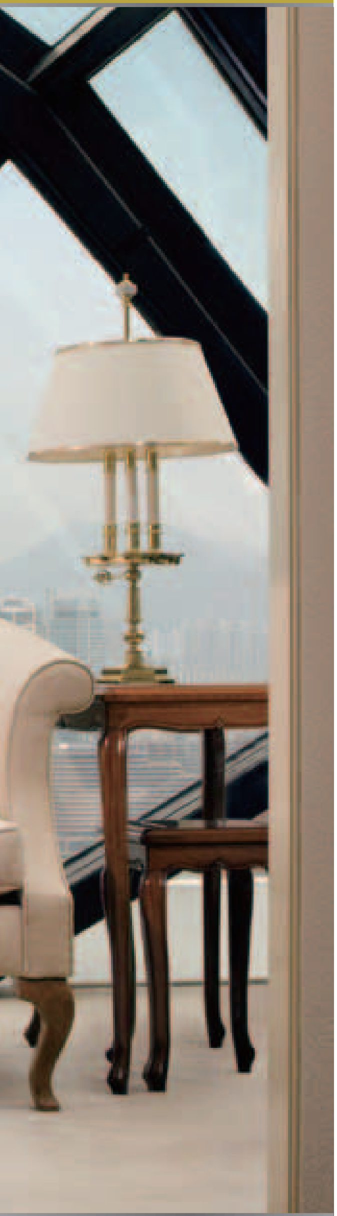
I would like to express my gratitude towards our shareholders, the financial institutions that have supported us, our Directors, and last but not least, our dedicated staff. Capitalising on the understanding and support of our shareholders, the guidance of our Directors, the trust of our banks and the concerted efforts of all Shui On Land staff, we will continue to create value and benefits for your Company and all our stakeholders. Although 2009 will be another tough year, I am confident that Shui On Land will emerge from this financial turmoil stronger and fitter than ever. We shall do our best to deliver on all our promises to you.

Vincent H. S. LO
Chairman & Chief Executive Officer

Hong Kong, 16 April 2009

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

Moving Forward Prudently



MANAGEMENT CHAT ROOM

From **Mr. Louis H. W. WONG**
Managing Director – Project Management

We master plan large parcels of land in the prime locations of key cities. Our mixed-use developments and master-plans enable us to adjust our construction mix in accordance with market demands. In the light of the current market situation, we may choose to accelerate the construction mix of projects or products that are currently preferred in the market; for example, retail buildings or mid-end residential units.

In the past few years, more of our projects have came out of incubation - Wuhan launched its first phase of development in 2007 while Chongqing followed in 2008 with the launch of the first phase of The Riviera. Our Dalian and Foshan projects are expected to come out of incubation by 2010.

In 2008, we completed 235,000 sq.m. of saleable and leasable GFA. We are on target to complete 229,000 sq.m. in 2009 and deliver these units to our commercial team for their onward sale and leasing. Our GFA to be completed is expected to increase going forward as more of our projects emerge from incubation, namely Foshan Lingnan Tiandi and DALIAN TIANDI.software hub which will complete 167,000 sq.m. in 2010.

We use our computerised Cost Analysis Management System to control and monitor the cost of all projects. We continue our pursuit of cost reduction by forming strategic partnerships with contractors and suppliers for the supply and installation of tiles, kitchen cabinets, insulation wall panels, lifts, air-conditioners and electrical appliances. We compare and evaluate quotations from different contractors and suppliers to get the most competitive quotes. Tender prices have decreased since mid 2008 due to a substantial reduction in metals' prices.

“We master plan large parcels of land in the prime locations of key cities. Our mixed-use developments and master-plans enable us to adjust our construction mix in accordance with market demands.”

We place considerable emphasis on product quality. Accordingly, we have set up and updated relevant procurement, quality and design policies, guidelines and procedures. The performance of contractors, suppliers and consultants is monitored quarterly using a performance assessment system and regular quality audits. Contracts are awarded to the best performers based on their past performance evaluations. Standard contract terms and design specifications are prepared and adopted to ensure that a consistent quality standard is achieved in all projects. We also provide a three-year warranty to the buyers of our residential units, thereby demonstrating our confidence in our project quality.

We proactively source for environmental-friendly materials and new technology to achieve our sustainable development goals. Our LEED certifications for various buildings are evidence of our continuous efforts and commitment to creating a green environment. We have successfully developed a pre-cast concrete construction method through the integration of insulation panels and have introduced low carbon emission electrical and mechanical systems into some of our new office buildings.

Finally, we have launched the Project Management Excellence Programme to provide training to supervisory and management staff through the newly set up Shui On Academy. We are continuing our Graduate Trainee Programme in preparation for the future growth and development of the Group.

From **Mr. Aloysius T. S. LEE**
Managing Director – Commercial

RESIDENTIAL PROPERTIES

Overall, sales are moving at a slower pace than in previous years due to the worsening financial crisis and the fact that buyers are adopting a wait-and-see attitude. However, following the economic stimulus measures from the Chinese Government, there has been an improvement in buying sentiment as reflected by the increase in transaction volume in the property sector in recent months. Although the property sales rate may not be as fast as that experienced in 2007 (units are sold in a matter of hours), the units can generally be sold within months.

Our residential business can be segmented into high-end luxury segment and mid-end residential. Although sales of the high-end luxury segment remain slow, sales in the mid-end segment has been proceeding reasonably well. In the upcoming months, we have launched or will launch units in Rui Hong Xin Cheng Phase 3 (Lot 8), Shanghai KIC Village R2, Wuhan Tiandi The Riverview Lot A10 and Chongqing Tiandi The Riviera (Lot B1-1/01), bringing the total GFA that will be made available for sale and pre-sale for the remainder of 2009 to be 187,400 sq.m. To boost sales, we will, amongst other action plans, pre-sell our units earlier in the cycle to take into consideration the longer sales lead time, implement a sound product positioning campaign and provide more value-added services to customers, for example, installation of better furnishings.

I believe our residential units located in prime locations, well master-planned communities with good amenities, excellent transportation links and high quality finishing will differentiate us from the rest of the competition.

“By building landmarks in our developments, we will be able to attract more tenants and customers to our projects.”

> “The Group adheres to a prudent financial policy and recognises the importance of striking a balance between a healthy gearing ratio and project funding requirements.”

INVESTMENT PROPERTIES

To-date, we have about 262,000 sq.m. of office and retail buildings, the bulk of which are located in Shanghai, predominantly Shanghai Xintiandi and Shanghai Corporate Avenue. Occupancy rates in these buildings continue to be high despite the current market conditions. In the short term, our rental contribution will continue to be from Shanghai.

We will also begin leasing for the 337,000sq.m. of commercial properties that will complete construction in 2009 and 2010. It is our target to increase our investment property portfolio to 599,000 sq.m. by 2010.

By building landmarks in our developments, we will be able to attract more tenants and customers to our projects, including renowned retail brands and restaurants. We maintain long-term relationships with our tenants and work alongside with them as they expand their businesses. One key feature of our rental properties is the presence of an evolving dynamics brought about by our master-plans and the transformation of the community. For example, in Shanghai Taipingqiao, two world-class hotels will be located right next to Shanghai Xintiandi, bringing in a new flow of customers to the area such as business travellers and tourists. The opening of the retail podium in Casa Lakeville (Shanghai Taipingqiao Lot 113) will tie in with the commencement of the metro lines, enriching the customer mix in this area.

Our two office buildings in Shanghai Taipingqiao, Corporate Avenue Phase 2 (Lot 126 and Lot 127) are proceeding well and construction is expected to commence in 2009. We believe that, as compared to Pudong, the supply and demand conditions for Grade A office buildings remains comparatively tight in Puxi. This will support our take-up rate and rental level when we start pre-leasing Corporate Avenue Phase 2 in 2010/2011.

From **Mr. Daniel Y. K. WAN**
Managing Director & Chief Financial Officer

The Group adheres to a prudent financial policy and recognises the importance of striking a balance between a healthy gearing ratio and project funding requirements. We remain dedicated to pursuing a balanced portfolio comprising rental and sales income. This, together with proceeds from strategic partnerships, will continue to enhance the quality of our revenue.

Our rental income from our investment properties, such as Shanghai Xintiandi and Shanghai Corporate Avenue, represents approximately 60% of our total interest costs. Furthermore, the Group’s rental income will increase as our investment property portfolio expands in the coming years. Projects in Shanghai, Wuhan and Chongqing are expected to be key contributors to our property sales in 2009, as mentioned earlier. In February 2009, Shui On Group signed a Memorandum of Understanding with the Agricultural Bank of China for a loan facility up to RMB13 billion, of which RMB8 billion will be used for Shui On Land and its subsidiaries. Bank of China also offered a Letter of Intent for loan facilities of RMB4 billion for the development of our Foshan project. These facilities will ensure the smooth and continued development of our projects, providing sufficient financing for the property developments that we intend to complete in the coming years.

Forming and nurturing strategic partnerships remained an essential component of our business strategy in 2008 as we embarked on numerous large-scale projects. From 2006 to 2008, we formed strategic partnerships for projects worth RMB4.8 billion in the Chinese Mainland. We will continue to focus on developing strategic partnerships in 2009 and beyond. Strategic partners have helped improve our cashflow, diversify our risks and enhance our operational efficiency.

In late 2008, we implemented a Cost Control Programme designed to minimise wastage and foster a cost consciousness culture across our organisation.

ACHIEVEMENT HIGHLIGHTS

January

Signed a Memorandum of Understanding (MoU) with Diqing Government in Yunnan Province to develop a tourism project in Shangri-La

February

Inauguration of "Foshan Lingnan Tiandi"

Signed a MoU with Lijiang Municipal Government in Yunnan Province to develop a new village and leisure resort at La Shi Hai Pian Area

March

"DALIAN TIANDI.software hub" acquired development rights of two land parcels in Huangnichuan Village

KIC Village (Phase II) passed the National AAA Pre-evaluation of the "Technical Standard Performance Assessment of Residential Buildings"

April

Shui On Group signed a framework agreement with the Yunnan Provincial Government to develop tourism including property developments in Kunming, Lijiang, Dali and Shangri-La

Received "2007 Building China – Highlights of Property Development Institute" award and "Discoverer of Chinese cities' innovative value" award from "Time + Architecture" magazine

Shui On Plaza and Corporate Avenue received "Outstanding contribution to the economic development in Luwan District" Certificates from Luwan District Government

Shanghai Xintiandi was named the "Shanghai Brandname Area" by City Brand Development Working Committee

May

Received the "Outstanding China Property Award 2008" from "Economic Digest", a business and financial magazine in Hong Kong

June

Won the 4th "Corporate Governance Asia Recognition Award" organised by "Corporate Governance Asia" magazine

July

26th floor of corporate headquarters obtained "Leadership in Energy and Environmental Design for Commercial Interiors" Silver certification from the U.S. Green Building Council

August

Company's Annual Report 2007 received three honours at the 2008 International ARC Awards: "Gold Award (Overall Annual Report – Real Estate Development /Service: Various & Multi-Use)", "Gold Award (Written Text – Property)" and "Silver Award (Cover Photo/Design – Property)"

September

Received the "Best Brand Enterprise Grand Award" organised by the Hong Kong Productivity Council and China Trademark Association

October

Three projects inaugurated:

- Chongqing Super High-rise

- Wuhan Tiandi Corporate Zone

- Foshan Lingnan Tiandi Phase 1

88 Xintiandi was named the "2008 Asia Best Business Branding Hotel"

November

Received five awards, included：

- Best Practice Awards 2008 – "Enterprise Governance" from Best Practice Management Group

- Silver Awards of Brand-with-a-Conscience 2008 – "Business Ethics" and "Corporate Governance" from Hong Kong Institute of Marketing

- Best Annual Reports Awards 2008 – "Citation for Design" from Hong Kong Management Association

- "Merit Award for Urban Design" from American Institute of Architects' Hong Kong Chapter for Foshan Lingnan Tiandi

Established Shui On Academy for talent development, and signed a MoU with the University of Michigan to launch new training programmes

December

Received "Hong Kong Outstanding Enterprises Award 2008" organised by "Economic Digest"

88 Xintiandi was named the "2008 Best Boutique Hotel" in the World Traveller Media's Top 10 Awards for the second consecutive year

PLANNING

Our ability to master plan on integrated communities for “Live-Work-Play” is what marks us as unique in China. We develop and enhance the value of our chosen locations, such as Xintiandi in Shanghai, and make our locations into “landmarks”.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SHANGHAI

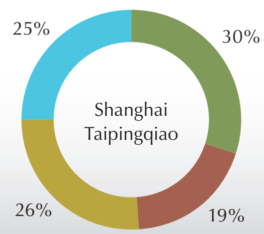
Shanghai Taipingqiao

Site location: The Taipingqiao project is located in the Luwan District, next to one of Shanghai's main commercial streets, Huai Hai Zhong Road. Metro Lines 1 and 8 are being operated close to the project. Metro Lines 10 and 13 are also under construction and will serve the project.

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 a high-end integrated community. It blends the architecture and charm of "Old Shanghai" with modern features and amenities. The project consists of four main zones: historic restoration zone (e.g. Shanghai Xintiandi), corporate headquarters zone (e.g. Corporate Avenue), up-market residential zone (e.g. Lakeville Regency and Casa Lakeville) and the retail and theatre zone.

The following shows the mix of the saleable and leasable areas of Shanghai Taipingqiao project as of 31 December 2008 based on our master plan:

GFA BY USAGE



	sq.m.
Office	362,000
Retail	230,000
Residential	311,000
Hotel/serviced apartment/carparks/others	321,000
Total	1,224,000

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

SHANGHAI
Shanghai, with its strategic location at the dragonhead of the Yangtze River Delta region, is China's leading commercial and financial centre. It 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 2008, Shanghai had 689 financial institutions, 224 multinational companies had made their regional headquarters there and 274 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 transportation infrastructure.

Shanghai has been particularly successful in attracting overseas companies. Their foreign direct investments accounted for over 10% of national total foreign direct investment in 2008. Both employment and the resident population grew by over 300,000 last year as Shanghai continued to pull in talent from across China and overseas. This influx of people is an important source of demand for housing.

The table below is the GFA of Shanghai Taipingqiao project as of 31 December 2008:

Project	Approximate/Estimated leasable and saleable area (sq.m.) Leasable Office	Leasable Retail	Saleable Residential	Hotel/ serviced apartment/ clubhouse	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Completed properties:								
Completed properties held for investment								
Xintiandi	5,000	46,000	–	6,000	12,000	69,000	97.0%	67,000
Corporate Avenue	76,000	7,000	–	–	16,000	99,000	99.0%	98,000
Completed properties held for operation								
The Lakeville	–	–	–	1,000	7,000	8,000	69.3%	5,000
Lakeville Regency	–	–	–	9,000	2,000	11,000	99.0%	11,000
Completed properties held for sales (launched)								
Lakeville Regency	–	–	1,000	–	15,000	16,000	99.0%	16,000
Casa Lakeville (Tower 1,2,10)	–	–	20,000	–	–	20,000	99.0%	20,000
Completed properties held for sales (not launched)								
Casa Lakeville (Tower 9)	–	–	11,000	–	–	11,000	99.0%	11,000
Subtotal	**81,000**	**53,000**	**32,000**	**16,000**	**52,000**	**234,000**		**228,000**
Properties under development:								
Casa Lakeville (remaining)	–	29,000	23,000	3,000	38,000	93,000	99.0%	92,000
Lot 126	51,000	24,000	–	–	36,000	111,000	99.0%	110,000
Lot 127	56,000	27,000	–	–	41,000	124,000	99.0%	123,000
Subtotal	**107,000**	**80,000**	**23,000**	**3,000**	**115,000**	**328,000**		**325,000**
Properties for future development:								
Subtotal	**174,000**	**97,000**	**256,000**	**38,000**	**97,000**	**662,000**	**99.0%***	**612,000**
Total	**362,000**	**230,000**	**311,000**	**57,000**	**264,000**	**1,224,000**		**1,165,000**

* *The Group has 99% interests in the properties for future development of Shanghai Taipingqiao project, except for Lot116, in which we have a 50% effective interest after the sale of a 49% interest to a strategic partner in 2007.*

Shanghai Xintiandi

LUWAN DISTRICT, SHANGHAI

Luwan District is part of Shanghai's Central Business District, with a vibrant service sector and clusters of multinational companies and financial institutions. It is well served by transportation links. There are more than 100 historic 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. The Luwan District will be one of the major locations to hold a series of events and activities during the World Expo in 2010.

The Luwan District is developing rapidly into a major service hub for Shanghai, with the service industry accounting for over 85% of the GDP of the district.

SHANGHAI

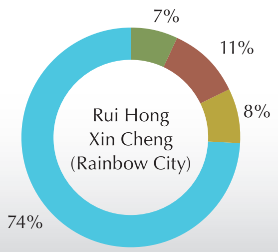
Rui Hong Xin Cheng (Rainbow City)

Site location: The Rui Hong Xin Cheng project is located in Hongkou District which rests adjacent to the North Bund and is close to the Lujiazui Central Business District ("CBD"). Metro Line 4 goes through Phase 2 of the project, connecting the project with CBD of Puxi and Pudong. Metro Lines 8 and 10 are also located adjacent to the project and connect to Wujiaochang or Five corners sub-centre in Yangpu District and Taipingqiao in Luwan District.

Master plan: The project is an integrated residential redevelopment project catering to the emerging upper middle class community in Shanghai. The site will be developed into a cluster of upper-middle class residential apartments, shopping centres, offices, clubhouses, schools and other modern facilities.

The following shows the mix of the saleable and leasable areas of Shanghai Rui Hong Xin Cheng project as of 31 December 2008 based on our master plan:

GFA BY USAGE



	sq.m.
Office	85,000
Retail	130,000
Residential	861,000
Hotel/serviced apartment/carparks/others	81,000
Total	1,157,000

HONGKOU DISTRICT, SHANGHAI

Hongkou District is situated in the north-eastern part of downtown Shanghai. North Sichuan Road in Hongkou District is a well-known traditional commercial street in Shanghai, and is being transformed into a bustling modern retail and entertainment area. The North Bund, 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. Hongkou District has a deep-rooted cultural heritage and is famous for housing the former residences of many famous modern Chinese intellectuals.

Rui Hong Xin Cheng (Phase 2) equips with an exquisite clubhouse

The table below is the GFA of Shanghai Rui Hong Xin Cheng project as of 31 December 2008:

Project	Approximate/Estimated leasable and saleable area (sq.m.) Leasable Office	Leasable Retail	Saleable Residential	Hotel/ serviced apartment/ clubhouse	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Completed properties:								
Completed properties held for investment								
RHXC Phase 1	–	5,000	–	–	–	5,000	75.0%	4,000
RHXC Phase 2	–	28,000	–	–	–	28,000	74.3%	21,000
Completed properties held for operation								
RHXC Phase 1	–	–	–	3,000	–	3,000	75.0%	2,000
RHXC Phase 2	–	–	–	5,000	15,000	20,000	74.3%	15,000
Subtotal	**–**	**33,000**	**–**	**8,000**	**15,000**	**56,000**		**42,000**
Properties under development:								
RHXC Phase 3 Lot 8	–	2,000	32,000	1,000	9,000	44,000	74.3%	33,000
RHXC Phase 3 Lot 4	–	12,000	63,000	1,000	30,000	106,000	74.3%	79,000
RHXC Phase 3 Lot 6	–	–	126,000	4,000	1,000	131,000	74.3%	97,000
Subtotal	**–**	**14,000**	**221,000**	**6,000**	**40,000**	**281,000**		**209,000**
Properties for future development:								
Subtotal	**85,000**	**83,000**	**640,000**	**–**	**12,000**	**820,000**	**74.3%**	**608,000**
Total	**85,000**	**130,000**	**861,000**	**14,000**	**67,000**	**1,157,000**		**859,000**

* *The Group acquired the retail podium of RHXC I from Shui On Group in February 2008.*

Rui Hong Xin Cheng (Phase 2)

SHANGHAI

Knowledge and Innovation Community (KIC)

创智天地
KNOWLEDGE & INNOVATION COMMUNITY

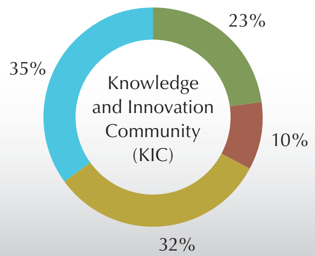
创智坊
KIC VILLAGE

Site location: The KIC project is located at the centre of Wujiaochang or Five Corners sub-centre. The project is well connected to the city center in terms of the transportation network by the middle-ring Highway, more than thirty public transportation routes and three metro lines, namely Metro Lines 3, 8 and 10. Metro Lines 3 and 8 are already in operation and Line 10 is expected to be completed by 2009/2010.

Master plan: The project is an integrated development project targeting the communities of the knowledge industry. It comprises four major zones – "KIC Plaza"provides office buildings, learning centres, exhibition halls, conference facilities; "KIC Village" provides comfortable apartments, offices, retail and recreational facilities; "Jiangwan Sports Centre" provides multi-functional , all weather integrated sports complex and "KIC Tech Park" provides for the establishment of research and development facilities for the hi-tech and digital industries. KIC aims to create an environment that fosters technological innovation and entrepreneurship similar to that of Silicon Valley in the United States and to provide "Live-Work-Play" environment inspired by the Left Bank in Paris.

The following shows the mix of the saleable and leasable areas of KIC project as of 31 December 2008 based on our master plan:

GFA BY USAGE



	sq.m.
Office	120,000
Retail	56,000
Residential	183,000
Hotel/serviced apartment/carparks/others	171,000
Total	530,000

YANGPU DISTRICT, SHANGHAI
Yangpu District is located in the north-eastern part of downtown Shanghai. The centre of the district, Wujiaochang or Five Corners, is designated by the Shanghai municipal government as one of the city's four sub-centres. It is being transformed into a knowledge industrial and support services hub to complement Shanghai's overall development plan of becoming the service centre of China. The district is home to 17 universities and colleges, 22 key state laboratories and 15 scientific research institutes, which has given it unparalleled competitive advantages to becoming the intellectual hub of Shanghai.

KIC creates an environment to foster entrepreneurship and technology innovation

The table below is the GFA of Shanghai Knowledge and Innovation Community project as of 31 December 2008:

Project	Approximate/Estimated leasable and saleable area (sq.m.) Leasable Office	Leasable Retail	Saleable Residential	Hotel/ serviced apartment/ clubhouse	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Completed properties:								
Completed properties held for investment								
KIC Village R1	8,000	7,000	–	–	2,000	17,000	86.8%*	15,000
KIC Plaza Phase 1	29,000	23,000	–	–	–	52,000	86.8%*	45,000
Completed properties held for sales (launched)								
KIC Village R1	–	–	4,000	–	26,000	30,000	86.8%*	26,000
KIC Village R2 (Lots 7-9, 8-2)	–	–	5,000	–	–	5,000	86.8%*	4,000
Completed properties held for sales (not launched)								
KIC Village R2 (Lots 7-9, 8-2)	–	–	15,000	–	–	15,000	86.8%*	13,000
Subtotal	**37,000**	**30,000**	**24,000**	**–**	**28,000**	**119,000**		**103,000**
Properties under development:								
KIC Village R2 (Lots 7-9, 8-2)	13,000	4,000	–	–	14,000	31,000	86.8%*	27,000
KIC Village R2 (Lots 7-7)	8,000	1,000	22,000	3,000	19,000	53,000	86.8%*	46,000
KIC Plaza Phase 2	44,000	7,000	–	–	30,000	81,000	86.8%*	70,000
Subtotal	**65,000**	**12,000**	**22,000**	**3,000**	**63,000**	**165,000**		**143,000**
Properties for future development:								
Subtotal	**18,000**	**14,000**	**137,000**	**43,000**	**34,000**	**246,000**	**86.8%***	**213,000**
Total	**120,000**	**56,000**	**183,000**	**46,000**	**125,000**	**530,000**		**459,000**

* *Agreement has been reached to increase our interest from 70% to 86.8%, subject to completion of the capital injection*

Office units in KIC Village

Residential units in KIC Village

HANGZHOU

Xihu Tiandi

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

Master plan: The project is a mixed-use retail, F&B and entertainment development comprising two phases. Phase 1 was completed in April 2003, featuring selected restaurants, cafes, retail shops and entertainment outlets in a park environment. Phase 2 with a GFA of 40,000 sq.m. will be an extension of Phase 1. It is designed to be a historic restoration project that is intended to offer a blend of traditional and modern architecture to provide a unique experience for visitors.

The following shows the mix of the saleable and leasable areas of Xihu Tiandi project as of 31 December 2008 based on our master plan:

GFA BY USAGE

	sq.m.
Retail	34,000
Clubhouse/carparks/others	41,000
Total	75,000

1 XIHU TIANDI

HANGZHOU

Hangzhou, known as "Paradise on Earth" in ancient China, is a major tourist destination in China. It is the provincial capital of Zhejiang Province, and is about 200 km from Shanghai. It is particularly famous for its natural beauty, rich historical and cultural heritage. The scenic West Lake is one of the most popular spots for the Chinese and international tourists, attracting approximately 40 million visitors every year. Tourism and the related service industry are the main economic drivers of Hangzhou. The international airport, which was completed in 2004, further enhances its development.

Yong Jin Lou of Xihu Tiandi

The table below is the GFA of Hangzhou Xihu Tiandi project as of 31 December 2008:

Project	Approximate/Estimated leasable and saleable area (sq.m.)							
	Leasable Office	Leasable Retail	Saleable Residential	Clubhouse	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Completed properties:								
Completed properties held for operations								
Hangzhou Xihu Tiandi, Phase 1	–	5,000	–	1,000	–	6,000	100.0%	6,000
Subtotal	**–**	**5,000**	**–**	**1,000**	**–**	**6,000**		**6,000**
Properties under development:								
Hangzhou Xihu Tiandi, Phase 2	–	29,000	–	–	40,000	69,000	100.0%	69,000
Subtotal	**–**	**29,000**	**–**	**–**	**40,000**	**69,000**		**69,000**
Total	**–**	**34,000**	**–**	**1,000**	**40,000**	**75,000**		**75,000**

The scenic West Lake

CHONGQING

Chongqing Tiandi

Site location: The Chongqing Tiandi project is located in the Yuzhong District at the centre of the metropolitan area, just upstream at the confluence of the Yangtze and Jialing Rivers. It is 20 kilometres away from Jiangbei airport and is less than 10 kilometres drive away from Jiefangbei.

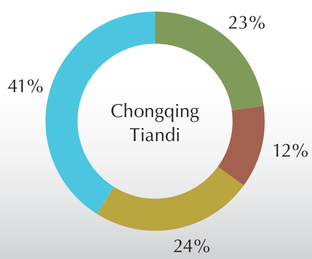
Master plan: The project is a large-scale city-core redevelopment project. The master plan of the project includes a man-made lake with pavilions and walkways along the shore, a commercial core comprising Grade A office buildings, exhibition and conference facilities, luxury hotels, and retail and entertainment 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. The project is positioned to support Chongqing's development into a commercial and financial hub for Western China.

The following shows the mix of the saleable and leasable areas of Chongqing Tiandi project as of 31 December 2008 based on our master plan:

重庆天地 CHONGQING TIANDI

雍江苑 THE RIVIERA

GFA BY USAGE



	sq.m.
Office	806,000
Retail	433,000
Residential	1,459,000
Hotel/serviced apartment/carparks/others	852,000
Total	3,550,000

1 CHONGQING TIANDI

CHONGQING

Chongqing is strategically located to the east of Sichuan Province in the Sanxia or Three Gorges on the upper reaches of Yangtze River. It is the only municipality in Western China. Chongqing has been positioned as the gateway to Western China under China's "Go West" policy that was launched in 2007. Over the years, it has developed into a major commercial and industrial centre, especially for the production of motor vehicles and motorcycles and an inland transportation hub.

Garden view of the Riviera

The table below is the GFA of Chongqing Tiandi project as of 31 December 2008:

Project	Approximate/Estimated leasable and saleable area (sq.m.) Leasable Office	Leasable Retail	Saleable Residential	Hotel/ serviced apartment/ clubhouse	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Completed properties:								
Completed properties held for operations								
The Riviera (Lot B1-1/01)	–	–	–	4,000	1,000	5,000	79.4%	4,000
Completed properties held for sales (launched)								
The Riviera (Lot B1-1/01)	–	–	16,000	–	–	16,000	79.4%	13,000
Completed properties held for sales (not launched)								
The Riviera (Lot B1-1/01)	–	–	76,000	–	24,000	100,000	79.4%	79,000
Subtotal	**–**	**–**	**92,000**	**4,000**	**25,000**	**121,000**		**96,000**
Properties under development:								
The Riviera (Lot B1-1/01)	–	1,000	–	–	–	1,000	79.4%	1,000
Lot B2-1/01	–	7,000	202,000	–	65,000	274,000	79.4%	218,000
Lot B3-1/01	–	38,000	–	17,000	30,000	85,000	79.4%	67,000
Subtotal	**–**	**46,000**	**202,000**	**17,000**	**95,000**	**360,000**		**286,000**
Properties for future development:								
Subtotal	**806,000**	**387,000**	**1,165,000**	**112,000**	**599,000**	**3,069,000**	**79.4%***	**2,301,000**
Total	**806,000**	**433,000**	**1,459,000**	**133,000**	**719,000**	**3,550,000**		**2,683,000**

* *The Group has 79.4% interests in all the remaining properties held for future development, except for LotB11-1/02, which will be developed into super high rise, in which the Group has a 59.5% effective interest after partial disposal of equity interest to a strategic partner in August 2008.*

Continued heavy infrastructure investment to connect the western region to the rest of China through Chongqing has enabled the municipality to play its role as the catalyst for Western China's growth. Under the 11th 5-Year Programme, the government plans to invest RMB520 billion for infrastructure improvement, including The Three Gorges Dam, Chongqing-Shanghai Expressway which are scheduled to be completed in the next 2 to 3 years.

In 2009, Chongqing has gained approval to undertake financial reforms in areas such as livestock commodity exchange, insurance, a centre for electronic bills transaction and foreign exchange management.

Chongqing has a population of 28.4million and is one of the world's largest cities.

Showflat of the Riviera

WUHAN

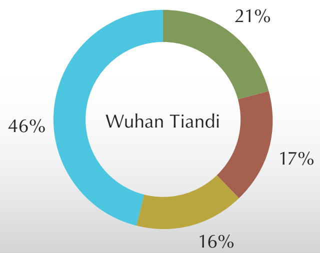
Wuhan Tiandi

Site location: The Wuhan Tiandi project is located in Hankou city centre, on the Yangtze River front with an unrivaled view of the scenic Jiangtan Park. In December 2008, the municipal government formally approved the redevelopment plans of "Riverside Business Zone", which include Wuhan Tiandi. The Zone is designed to be one of the finance and business centres of Wuhan, an innovation hub and cultural destination.

Master Plan: The project is a mixed-use redevelopment project comprising two major sites. Site A will be developed into modern office buildings, retail/ F&B and entertainment facilities with some residential properties. Site B will contain mainly residential units and retail facilities. By preserving the traditional local architecture within a modern and convenient setting, the project is set to become a new landmark of Wuhan.

The following shows the mix of the saleable and leasable areas of Wuhan Tiandi project as of 31 December 2008 based on our master plan:

GFA BY USAGE



	sq.m.
Office	323,000
Retail	254,000
Residential	695,000
Hotel/serviced apartment/carparks/others	232,000
Total	1,504,000

1 WUHAN TIANDI

WUHAN

Wuhan is the capital of the Hubei Province and located at the junction of Yangtze and Han Rivers. It consists of three parts, namely Hankou, Hanyang and Wuchang. Major cities in China are located within a 800 km radius from Wuhan. With the "Rise of Central China" regional development programme and its strategic location, Wuhan has developed into a national transport hub and a major commercial and manufacturing centre in Central China.

According to the 11th 5-Year Programme Wuhan will invest RMB1,000 billions into infrastructure development, including the Wuhan-Hefei high-speed rail-line that has halved the travel time from Wuhai to Shanghai to less than 5 hours and the Wuhan Tianhe International Airport expansion project.

The table below is the GFA of Wuhan Tiandi project as of 31 Dec 2008:

Project	Approximate/Estimated leasable and saleable area (sq.m.) Leasable Office	Leasable Retail	Saleable Residential	Hotel/ serviced apartment/ clubhouse	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Completed properties:								
Completed properties held for investment								
Wuhan Tiandi (Lot A4-1)	–	16,000	–	–	–	16,000	75.0%	12,000
Completed properties held for operation								
The Riverview (Lots A7, A9)	–	–	–	4,000	–	4,000	75.0%	3,000
Completed properties held for sales (launched)								
The Riverview (Lots A7, A9)	–	–	10,000	–	20,000	30,000	75.0%	23,000
Subtotal	**–**	**16,000**	**10,000**	**4,000**	**20,000**	**50,000**		**38,000**
Properties under development:								
Lot A4-2	–	11,000	–	–	3,000	14,000	75.0%	10,000
Lot A4-3	1,000	19,000	–	–	23,000	43,000	75.0%	32,000
Lot A6	–	2,000	30,000	1,000	16,000	49,000	75.0%	37,000
Lot A8	–	–	29,000	–	32,000	61,000	75.0%	46,000
Lot A10	–	–	27,000	–	–	27,000	75.0%	20,000
Lot A4-4	–	–	–	9,000	4,000	13,000	75.0%	10,000
Subtotal	**1,000**	**32,000**	**86,000**	**10,000**	**78,000**	**207,000**		**155,000**
Properties for future development:								
Subtotal	**322,000**	**206,000**	**599,000**	**66,000**	**54,000**	**1,247,000**	**75.0%**	**935,000**
Total	**323,000**	**254,000**	**695,000**	**80,000**	**152,000**	**1,504,000**		**1,128,000**

The Riverview

Food Street of Wuhan Tiandi

DALIAN TIANDI.software hub 大连天地.软件园

DALIAN

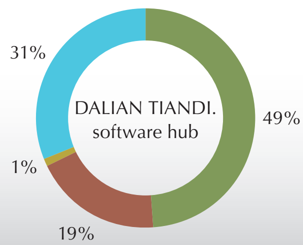
DALIAN TIANDI.software hub

Site location: The DALIAN TIANDI.software hub project is located adjacent to Dalian Software Park Phase 1, west of Dalian city and 40 minutes drive to the city centre.

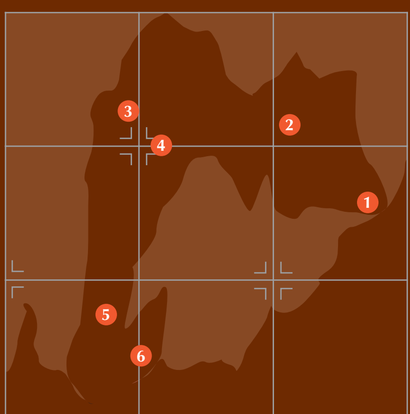
Master plan: The project is a large-scale mixed-use integrated development consisting of a software park office, residential, commercial, education facilities, hotels and an area for a Xintiandi type development. It consists of six major sites: Hekou Bay, Valley Site, Huangnichuan North, Huangnichuan South, Nanhaitou and Resort Hotel site. As the second phase of Dalian Software Park, it is designed to serve the city's emerging information technology outsourcing ("ITO") and business process outsourcing ("BPO") industries.

The following shows the mix of the saleable and leasable areas of DALIAN TIANDI.software hub project as of 31 December 2008 based on our master plan:

GFA BY USAGE



	sq.m.
Office	1,727,000
Retail	662,000
Residential	1,110,000
Hotel/serviced apartment/carparks/others	42,000
Total	3,541,000



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

DALIAN

Dalian is located on the southern tip of Eastern Liaoning Peninsula. It serves as a gateway to Beijing, Tianjin and Bohai-Bay Economic Rim. Its Dalian port, international airport, highly developed railway and highway network establish the city as an important transportation and communication hub in Northern China, connecting Northeast Asia to the other parts of China.

It is recognised as a regional economic centre in the Northeast China and is well known for its rapidly emerging information technology outsourcing ("ITO") and business process outsourcing ("BPO") industries. The city was designated as one of the six national software export bases along with Shanghai, Beijing, Xi'an, Shenzhen and Tianjin. Firms based in these cities can get to enjoy preferential policies. Being the first outsourcing services centre, Dalian holds a unique position as the leading international software outsourcing city in the country.

Dalian was one of the top five cities in terms of attracting foreign direct investment, especially from South Korea and Japan. These two countries accounted for foreign direct investment of US$1.75 billion in 2008

The table below is the GFA of DALIAN TIANDI.software hub project as of 31 December 2008:

Project	Approximate/Estimated leasable and saleable area (sq.m.) Leasable Office	Leasable Retail	Saleable Residential	Hotel/ serviced apartment/ clubhouse	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Properties under development:								
Huangnichuan North（黃泥川路北）	1,056,000	138,000	571,000	–	–	1,765,000	48.0%	847,000
Hekou Bay（河口灣）	258,000	391,000	539,000	–	–	1,188,000	48.0%	570,000
Subtotal	**1,314,000**	**529,000**	**1,110,000**	**–**	**–**	**2,953,000**		**1,417,000**
Properties for future development:								
Subtotal	**413,000**	**133,000**	**–**	**42,000**	**–**	**588,000**	**48.0%**	**283,000**
Total	**1,727,000**	**662,000**	**1,110,000**	**42,000**	**–**	**3,541,000**		**1,700,000**


DALIAN TIANDI.software hub


IT Tiandi at DALIAN TIANDI.software hub

FOSHAN

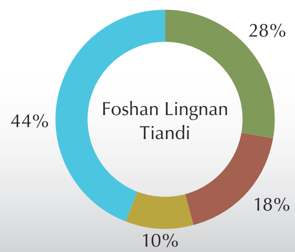
Foshan Lingnan Tiandi

Site Location: The Foshan Lingnan Tiandi project is located in the old town centre of the Chancheng District, Foshan's traditional city centre and public transportation hub. Two of the stations for the Guangzhou-Foshan Subway Line will be located within the project.

Master Plan: The project is a large-scale city-core redevelopment project. The master plan includes office, retail, hotel, cultural facilities and residential complexes. Located within the site are two of the most well-known historical sites in Foshan – Zumiao and Donghuali. The former is an immaculately preserved 900 year old Buddhist temple which is the centrepiece of Foshan's cultural heritage. The latter is a national-level protection site. Foshan government's plans are to turn the site into a commercial zone, focusing on business, culture, and tourism.

The following shows the mix of the saleable and leasable areas of Foshan Lingnan Tiandi project as of 31 December 2008 based on our master plan:

GFA BY USAGE



	sq.m.
Office	450,000
Retail	285,000
Residential	691,500
Hotel/serviced apartment/carparks/others	157,500
Total	1,584,000

1 FOSHAN LINGNAN TIANDI

FOSHAN

Foshan is a thriving city within the Pearl River Delta, possessing economic dynamism along with rich historical and cultural resources. Foshan is favourably located within Pearl River Delta Economic zone, and is 28 km southwest from the city centre of Guangzhou. It 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 industrial sectors, including ceramics, home appliances, electronics, aluminum and stainless steel. Foshan has plans to develop an expansive transportation infrastructure that will dramatically enhance connectivity with Guangzhou, and enable Foshan to function as part of the same major urban area as Guangzhou.

Guangzhou-Foshan Subway Line 1 is now under construction and is scheduled to begin operations by October 2010. It will shorten the travel time to Guangzhou to 15-20 minutes. The Hong Kong – Guangzhou Intercity Express Train is also scheduled to be completed in 2014, providing a seamless connection between Hong Kong and Foshan in about 80 minutes.

The table below is the GFA of Foshan Lingnan Tiandi project as of 31 Dec 2008:

	Approximate/Estimated leasable and saleable area (sq.m.)							
Project	**Leasable Office**	**Leasable Retail**	**Saleable Residential**	**Hotel/ serviced apartment/ clubhouse**	**Carpark and other facilities (sq.m.)**	**Total GFA (sq.m.)**	**Group's interest**	**Attributable GFA (sq.m.)**
Properties under development:								
Lot 4	–	–	41,000	–	–	41,000	100.0%	41,000
Lot 14	–	–	14,500	–	–	14,500	100.0%	14,500
Lot 1	–	68,000	–	–	–	68,000	100.0%	68,000
Lots D and G	–	24,000	–	30,000	–	54,000	100.0%	54,000
Subtotal	**–**	**92,000**	**55,500**	**30,000**	**–**	**177,500**		**177,500**
Properties for future development:								
Subtotal	**450,000**	**193,000**	**636,000**	**80,000**	**47,500**	**1,406,500**	**100.0%**	**1,406,500**
Total	**450,000**	**285,000**	**691,500**	**110,000**	**47,500**	**1,584,000**		**1,584,000**

Foshan Lingnan Tiandi

Foshan Lingnan Tiandi emphasises the preservation of local tradition and cultural heritage

Business Review


KIC Plaza

Our unique business model and proven expertise in master planning will enable us to play a significant role in China's economic transformation and integration with the global economy.

2008 turned out to be a challenging year. For the year ended 31 December 2008, the Group achieved a turnover of RMB3,556 million, 22% below the RMB4,570 million of 2007. Of which, property sales accounted for approximately 83% (2007: 89%) of the turnover, with rental income and other related activities accounting for the remaining 17% (2007: 11%).

The Group's profit attributable to shareholders of the Company for the year amounted to RMB2,480 million, a slight increase of 1% over 2007 (2007: RMB2,462 million).

Excluding the effect of revaluation of investment properties and fair value adjustment on derivative financial instruments, the Group's underlying profit attributable to shareholders of the Company was RMB2,214 million, an increase of 7% when compared to 2007 (2007: RMB2,060 million).

PROPERTY SALES

During the year, the Group sold a total of 85,100 sq.m. of saleable GFA which gave rise to a turnover from property sales, after business tax, of RMB2,939 million (2007: 138,000 sq.m. and RMB4,085 million).

The property markets across the Chinese Mainland in 2008 experienced declines in both sales volume and selling price, brought about by the macro control measures introduced to curb property price increase over the last few years and the intensification of the global financial turmoil. Although sales in the high end residential developments slowed down in the second half of 2008, the middle end segment of the residential market continued to sell comparatively well. Going forward, we expect to see a higher proportion of revenue and profit contribution from Shanghai Rui Hong Xin Cheng, Shanghai Knowledge and Innovation Community ("Shanghai KIC"), Wuhan Tiandi and Chongqing Tiandi.

The table below summarises our property sales in 2008 by project:

Project	Location	Sales revenue^ RMB'million	Total GFA sold (sq.m.)	Average selling price (RMB/sq.m.)	Group's interest
Casa Lakeville	Shanghai Taipingqiao, Lot 113	1,960	24,200	85,300	99%
KIC Village R1, R2	Shanghai KIC, Lots 6-5, 6-6, 7-9, 8-2	345	18,000	20,200	86.8%*
The Riviera	Chongqing Tiandi, Lot B1-1/01	108	13,600	10,300**	79.4%
The Riverview	Wuhan Tiandi, Lot A7	403	29,100	14,600	75.0%
Others *(Including sales of car parks of RMB114 million)*		123	200		
Total property sales in 2008		**2,939**	**85,100**		
Total property sales in 2007		4,085	138,000		

^ *The sales revenue was stated net of business tax of 5%.*
* *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*
** *The average selling price is quoted based on the net floor area which is the common practice in Chongqing's property market.*

Casa Lakeville (Shanghai Taipingqiao project, Lot 113), the third phase of our prestigious residential development, was launched for sale in early June 2008. Out of a total of 241 units or 44,100 sq.m. in Towers 1, 2 and 10, 126 units or 24,200 sq.m. were sold as of 31 December 2008, generating a revenue of RMB1,960 million (net of business tax). The average selling price achieved was RMB85,300 per sq.m., an increase of almost 56% over that achieved by Lakeville Regency in 2007. It is our intention to launch more blocks for sale in 2009, targeting high net worth individuals and corporate customers in the Chinese Mainland.

Sales of our Shanghai Knowledge and Innovation Community ("Shanghai KIC"), KIC Village R1 continued in 2008. In November 2008, we launched 121 residential units or 14,800 sq.m. of KIC Village R2 for sale and sold 85 units or 9,800 sq.m. In aggregate, 144 units or 18,000 sq.m. of KIC Village R1 and R2 were sold in 2008 and the average selling price achieved was RMB20,200 per sq.m..

Our Chongqing project came out of incubation in 2008 with the launch of The Riviera (Chongqing Tiandi, Lot B1-1/01) the first phase of residential development. Out of a total of 784 units or 107,200 sq.m., Towers 5, 6 and 11 comprising 246 units or 30,600 sq.m. were launched in April 2008. Although sales progress was inevitably affected after the catastrophic earthquake hit Sichuan Province on 12 May 2008, our buildings and sites at Chongqing Tiandi suffered no damage and our operations were not affected. We re-marketed our residential units in the fourth quarter of 2008 and as of 31 December 2008, 102 units or 13,600 sq.m. were sold. The average selling price achieved was RMB10,300 per sq.m. in terms of net floor area (or RMB8,400 per sq.m. in terms of gross floor area). Various construction works were undertaken during the year to further enhance the environment of the entire development site. These included completing construction of major roads and preliminary works for the man-made lake. Following the improvement of the environment and various promotional activities, sales picked up remarkably in the first quarter of 2009. For the three months ended 31 March 2009, total 448 units or 52,700 sq.m. were sold with letter of intent signed. Leveraging on the favourable market response to The Riviera, we intend to launch more units in late April.

Following the successful launch of The Riverview Phase 1 (the residential development at Wuhan Tiandi project Lot A9) in 2007, another 265 units or 39,000 sq.m. in the Phase 2 (Lot A7) commenced pre-sales in early May 2008. Sales proceeded well with 200 units or 29,100 sq.m. being sold at an average selling price of RMB14,600 per sq.m., an increase of 8% over that achieved by the Phase 1 in 2007. There are 65 units remaining for sale in 2009. In January 2009, The Riverview Phase 3 (Lot A10) was launched for pre-sale. 108 units or 13,900 sq.m. out of a total 197 units or 26,100 sq.m. were sold for the three months ended 31 March 2009.

The table below shows our contract GFA - Properties that i) are available for sale and pre-sale in 2008; ii) have been sold and formal sale and purchase agreements signed in 2008; iii) Have and will be made available for sale and pre-sale in 2009; iv) have been sold in the first quarter of 2009 subject to formal sales and purchase agreements and v) are available for sale and pre-sale in 2009 and beyond are shown as follows:

Residential Property	Available for sale and pre-sale in 2008 (sq.m.)	Sold and formal sale and purchase agreements signed in 2008 (sq.m.)	Have and will be made available for sale and pre-sale in 2009 (sq.m.)	Sold in the first quarter of 2009 subject to formal sale and purchase agreements (sq.m.)	Available for sale and pre-sale in 2009 and beyond (sq.m.)
Shanghai Taipingqiao					
Casa Lakeville (Lot 113)	71,000	(24,200)	7,000	(700)	53,100
Shanghai Rui Hong Xin Cheng					
Phase 3 (Lot 8)	–	–	32,300	–	32,300
Shanghai KIC Village					
R1 (Lots 6-5, 6-6)	12,800	(8,200)	–	(1,500)	3,100
R2 (Lots 7-7, 7-9, 8-2)	30,400	(9,800)	22,700	(2,500)	40,800
Wuhan Tiandi					
The Riverview Phase 2 (Lot A7)	39,000	(29,100)	–	(4,900)	5,000
The Riverview Phase 3 (Lot A10)	–	–	26,100	(13,900)	12,200
Chongqing Tiandi					
The Riviera (Lot B1-1/01)	107,200	(13,600)	–	(52,700)	40,900
Total saleable GFA	**260,400**	**(84,900)**	**88,100**	**(76,200)**	**187,400**
Add: Others		(200)			
Total saleable GFA (sq.m.) sold and recognised as sales turnover		**(85,100)**			

The sale and pre-sale of units will be subject to compliance with applicable laws and regulations, and will be dependent on obtaining the requisite approvals, licenses, permits and consents. Recognition of these sales will depend, amongst others, on the timing of completion of construction, issue of occupation permit, and signing of formal sale and purchase agreements.

PROPERTY INVESTMENTS

Turnover from property investment amounted to RMB593 million for the year ended 31 December 2008, an increase of 25% over that of 2007 (2007: RMB474 million). As of 31 December 2008, the Group's investment properties consist of 262,000 sq.m. of leasable GFA (31 December 2007: 253,000 sq.m.), of which approximately 45% was for office use and the 52% for retail use.

The table below summarises the composition of the leasable GFA and the occupancy rate as of 31 December 2008:

Project	Leasable GFA (sq.m.) Office	Retail	Hotel/ serviced apartment/ clubhouse	Total	Occupancy rate 2008	2007	Group's interest
Shanghai Taipingqiao,							
Shanghai Xintiandi	5,000	46,000	6,000	57,000	99%	97%	97.0%
Shanghai Corporate Avenue	76,000	7,000	–	83,000	99%	94%	99.0%
Shanghai Rui Hong Xin Cheng,							
Phase 1 Commercial	–	5,000	–	5,000	55%	N/A	75.0%
Phase 2 Commercial	–	28,000	–	28,000	99%	99%	74.3%
Shanghai KIC Village R1	8,000	7,000	–	15,000	59%	34%	86.8%*
Shanghai KIC Plaza Phase 1	29,000	23,000	–	52,000	82%	75%	86.8%*
Hangzhou Xihu Tiandi, Phase 1	–	5,000	1,000	6,000	100%	100%	100.0%
Wuhan Tiandi, Commercial	–	16,000	–	16,000	89%	57%	75.0%
Total leasable GFA, 31 December 2008	**118,000**	**137,000**	**7,000**	**262,000**			
Total leasable GFA, 31 December 2007	118,000	128,000	7,000	253,000			

* *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*

Shanghai Xintiandi and Shanghai Corporate Avenue continued to be our main rental income contributor in 2008, accounting for 84% (2007: 87%) of our total rental income. Occupancy rates at these two developments were near full occupancy with 14% and 15% increase in average rental rates over those in 2007, respectively.

In February 2008, the Group completed the acquisition of the retail podium with GFA of 5,000 sq.m., together with the clubhouse and kindergarten at Shanghai Rui Hong Xin Cheng, Phase 1 from Shui On Group for a cash consideration of RMB107 million, which was negotiated at arm's length based on the appraised value of the property by an independent valuer. Following the completion of the acquisition, the Group now controls the entire Shanghai Rui Hong Xin Cheng development which should further enhance the overall branding and value of this project. Subsequent to this acquisition, Phase 1 Commercial underwent an overhaul which is expected to be completed by mid 2009. It is expected that the occupancy rate for Phase 1 Commercial will increase upon completion of this refurbishment. Occupancy rate for Phase 2 Commercial of Shanghai Rui Hong Xin Cheng as of 31 December 2008 was 99% (31 December 2007: 99%).

As of 31 December 2008, the occupancy rate of Shanghai KIC Plaza Phase 1 and KIC Village R1 were 82% and 59%, respectively. The occupancy rates of commercial properties for KIC Plaza Phase 1 and Village R1 are expected to increase when those retail tenants move in after Metro Line 10, which pass through our KIC project, starts operation by end 2009 or early 2010.

Wuhan Tiandi Commercial comprises Lot A4-1 which was completed and opened for operation in April 2007 and Lots A4-2 and A4-3 are expected to be handed over in mid 2009. As of 31 December 2008, 89% of the 16,000 sq.m retail spaces in Lot A4-1 were leased while approximately 30% of the retail spaces in Lots A4-2 and A4-3 have signed tenancy agreements. Forty two shops have already opened for business and a further eight shops can be expected to open by mid 2009.

PROPERTY DEVELOPMENT

Shanghai Taipingqiao:
Construction of towers 1, 2, 9 and 10 of the third phase of Lakeville, Casa Lakeville (Shanghai Taipingqiao project, Lot 113) was completed during the year, while the superstructure of towers 11 and 12 has been topped out. Internal and external finishing work is now in progress. The construction of the commercial complex, with five blocks of low-rise residential buildings sitting on top, has commenced.

Preparation work for the submission of application for the commencement to relocation for the next phase of Lakeville residences at Lot 116 and the international school at Lot 115 is currently underway.

Relocation at Lots 126 and 127 is progressing well with approximately 80% and 70% of the households being relocated, respectively, as of 31 December 2008. The two lots are expected to commence construction of office and retail spaces of 158,000 sq.m.

Shanghai Rui Hong Xin Cheng:
Phase 3 of the development comprises Lots 4, 6 and 8. Lot 8 has commenced construction and is scheduled for completion in second half of 2009. We expect to launch the pre-sale of Lot 8 in 2009. Approximately 78% of the households in Lot 4 and 44% of those in Lot 6 were relocated as of 31 December 2008. Construction work of Lot 4 is also planned to commence in 2009.

Shanghai Knowledge and Innovation Community:
Construction at Lot 7-9 and Lot 8-2 of KIC Village R2 was completed during the year with a total of 246 units or 30,400 sq.m. of saleable GFA. In November 2008, 121 residential units or 14,800 sq.m. were launched which was well accepted by the market. Construction at Lot 7-7 of KIC Village R2 with a planned saleable and leasable GFA of 22,000 sq.m and 12,000 sq.m respectively and KIC Plaza Phase 2 with a planned leasable GFA of 51,000 sq.m are both progressing as planned and are expected to complete progressively by 2010.

Hangzhou Xihu Tiandi:
Relocation is in progress at Phase 2 of Xihu Tiandi with 83% of the households relocated as of 31 December 2008 and a targeted completion date in 2009. Construction will commence accordingly with a targeted completion date of mid 2011.

Chongqing Tiandi:
Construction of The Riviera at Lot B1-1/01, comprising 784 units or 107,200 sq.m. of saleable GFA, was completed in 2008. 246 units or 30,600 sq.m. were launched for sale in April 2008. Site formation of the first stage at Lot B2-1/01, which is the second phase of The Riviera at Chongqing Tiandi, was completed in 2008 with piling and foundation work in progress. The site formation works of the second and third stages are underway. For the three months ended 31 March 2009, total 448 units or 52,700 sq.m. were sold with letter of intent signed.

Construction of the retail properties and hotel at Lot B3/01 of Chongqing Tiandi, with an aggregate GFA of 55,000 sq.m., are progressing according to plan. Retail properties will be completed in the third quarter of 2009 and pre-lease has already started. The hotel is expected to be completed in the second quarter of 2010.

Wuhan Tiandi:
Construction of The Riverview at Lot A7 with a total of 265 units or 39,000 sq.m. of GFA was completed and launched for sale during the year.

The super-structure of the second phase of The Riverview, Lot A6, A8 and A10 residential development, is close to topping out. Pre-sale of Lot A10 was launched in January 2009 and is planned to be handed over to owners in April 2010. Construction for Lot A6 and Lot A8 is expected to be completed by the end of 2010.

Lot A4-2 has been finished construction and some major tenants have started their operations. The construction of Lot A4-3 will be completed in October 2009 and will start leasing operation towards the end of 2009.

Relocation for Wuhan Tiandi Site B is in progress and about 20% of land has been handed over to the Group.

DALIAN TIANDI.software hub:
In Huangnichuan North, the construction of Software Office Building with a planned GFA of 42,000 sq.m. has commenced in early March 2009 and is expected to be completed by early 2010. Commercial activities are currently underway. The construction of Engineer's Apartment with a planned GFA of 40,000 sq.m. will begin in April 2009 and is expected to be completed by 2010. The construction of commercial properties, namely IT

Tiandi, with a planned GFA of 23,000 sq.m. will commence in July 2009 and is expected to be completed by 2010. The construction of residential properties with a planned GFA of 30,000 sq.m. will begin in July 2009 and is expected to be completed by 2010.

Construction of residential properties located in Hekou Bay with a planned GFA of 53,200 sq.m. will commence in July 2009 and is expected to be completed by 2011.

Foshan Lingnan Tiandi:
Construction of Lot D with a planned GFA of 52,000 sq.m. of serviced apartments and retail properties, commenced in October 2008 and is expected to be completed in phases by 2011.

Relocation at first stage of Lot 1 with a planned GFA of 68,000 sq.m. of mixed development comprising retail, F&B, commercial and a boutique hotel, was completed and handed over to us in July 2008. The remaining portion of Lot 1's land will be handed over in April 2009. Construction will commence in mid 2009 and is expected to be completed in phases by 2012.

The land at Lot 4 and Lot 14 with a planned GFA of 56,000 sq.m. of residential properties will also be handed over in April 2009. Construction will commence in mid 2009 and is expected to be completed by 2011.

The following tables summarised the total saleable and leaseable GFA that was completed in 2008 and those that will be completed in each of the next two years based on our latest assessment.

	Saleable GFA (sq.m.) (rounded to the nearest thousand)			
	Completed	To be completed		
Property development held for sale:	2008	2009	2010	Group's interest
Shanghai Taipingqiao, Casa Lakeville (Lot 113)	55,000	16,000	7,000	99.0%
Shanghai Rui Hong Xin Cheng Phase 3 (Lot 8)	–	32,000	–	74.3%
Shanghai KIC Village R2 (Lots 7-7, 7-9, 8-2)	30,000	22,000	–	86.8%*
Chongqing Tiandi, The Riviera (Lots B1-1/01, B2-1/01)	107,000	–	47,000	79.4%
Wuhan Tiandi, The Riverview (Lots A6, A7, A8, A10)	39,000	26,000	59,000	75.0%
DALIAN TIANDI.software hub	–	–	30,000	48.0%
Total saleable GFA	**231,000**	**96,000**	**143,000**	

* *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*

	Leasable GFA (sq.m.) (rounded to the nearest thousand)							
	Completed		To be completed		To be completed			
	2008		2009		2010			
Property development held for investment:	Office	Retail	Office	Retail	Office	Retail	Hotel	Group's interest
Shanghai Taipingqiao, Casa Lakeville (Lot113)	–	–	–	–	–	29,000	–	99.0%
Shanghai Rui Hong Xin Cheng, Phase 3 (Lot 8)	–	–	–	2,000	–	–	–	74.3%
Shanghai KIC, Village R2 (Lots 7-7, 7-9, 8-2)	–	–	21,000	5,000	–	–	–	86.8%*
Shanghai KIC, Plaza Phase 2	–	–	25,000	7,000	19,000	–	–	86.8%*
Chongqing Tiandi, Lots B2-1/01, B3/01	–	–	–	42,000	–	–	17,000	79.4%
Wuhan Tiandi, Lots A4-1, A4-2, A4-3, A6	–	4,000	1,000	30,000	–	2,000	–	75.0%
Foshan Lingnan Tiandi	–	–	–	–	–	32,000	–	100.0%
DALIAN TIANDI.software hub	–	–	–	–	42,000	23,000	40,000	48.0%
Total leasable GFA	**–**	**4,000**	**47,000**	**86,000**	**61,000**	**86,000**	**57,000**	
Total saleable and leaseable GFA completed and to be completed in each of the year	**235,000**		**229,000**		**347,000**			

* *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*

On the basis that development progress is in accordance with the above table, the Group's portfolio of investment properties is expected to grow to 395,000 sq.m. of leasable GFA by the end of 2009 and 599,000 sq.m. by the end of 2010. In that event, the size of our investment property portfolio will be 1.5 times and 2.3 times that of the size as of 31 December 2008 by the end of 2009 and 2010 respectively.

It should be noted that actual completion of construction in the future depends on our construction progress, which may be affected by many factors including but without limitation, planning, relocation, construction, operational, managerial and financial resources, approval and regulatory changes and other factors within or beyond the control of the Group.

LANDBANK

As of 31 December 2008, the Group had a landbank of 13.2 million sq.m. (of which 9.7 million sq.m. are attributable to shareholders of the Company) in eight development projects with prime locations spanning over six cities - Shanghai, Hangzhou, Chongqing, Wuhan, Foshan and Dalian. Our current landbank is estimated to be sufficient for another ten years at our current pace of development.

Other than the acquisitions listed below, no major acquisition is expected in current year unless the plot of land is located near to our existing projects. We prefer large pieces of land which will allow us to masterplan, improve the amenities and value add to the community living there.

DALIAN TIANDI.software hub

In March 2008, the DALIAN TIANDI.software hub joint venture won the bid for three more plots of land at Huangnichuan North. Accordingly, the joint venture has successfully acquired most of the land development rights at Huangnichuan North as planned in the control specific master plan, totalling approximately GFA of 1.64 million sq.m.. The Hekou Bay site in Dalian comprising approximately GFA of 1.19 million sq.m. has been acquired through public bidding in December 2008.

As of 31 December 2008, 16 plots of land of approximately 2.83 million sq.m. of GFA have been acquired via bidding with legally binding contracts signed. It is the intention of the joint venture to bid for the remaining 7 plots of land with a total GFA over 0.71 million sq.m.. Acquisition of these lands will be by way of competitive bidding and there is no assurance that the joint venture will be successful in acquiring them. The Group has a 48% interest in this joint venture development project.

Plot A of Lot 24, Yangpu District

Agreement has been reached to acquire the company that currently owns the development rights of a piece of land known as Plot A of Lot 24 in Yangpu District, Shanghai with a planned GFA of 137,400 sq.m., which is adjacent to the Group's existing Shanghai KIC project.

Yunnan

The proposed development of integrated tourism resorts pursuant to the memoranda of understanding signed between 2006 and 2008 with the municipal government of four cities of Yunnan Province is still under negotiations. It is the expectation of the Group to co-invest with strategic partners, especially those with tourism expertise, for these projects.

The location of these proposed developments are in four cities of Dali, Diqing (Shangri-La), Lijiang and Kunming and the proposed size of these projects is a total GFA of approximately 6.6 million sq.m. The above-mentioned memoranda of understanding signed with the four municipal city governments of Yunnan Province are all legally non-binding in nature. The final project sizes are subject to further discussions.

ACCELERATE GROWTH THROUGH STRATEGIC PARTNERSHIPS

Bringing in strategic partners to co-develop the Groups' projects, either at a project level and/or at a phase level, is a stated strategy that the Group has been following. This strategy allows the Group to accelerate returns from its projects, release the capital that can be invested in other projects, help the Group to diversify its risks and enhance the Group's cashflow. It allows the Group to access to certain expertise and know-how that the partners possess and are beneficial to the future development of the Group's projects.

In May 2008, the Group sold 25% interest in our Shanghai Rui Hong Xin Cheng development project to Winnington Capital Limited ("WCL") for a consideration of RMB1,125 million, giving rise to a gain on disposal of RMB862 million in 2008.

The Group further strengthened the strategic partnership by selling a 25% equity interest in Rightchina Limited, a 80.2% held indirect subsidiary that owns the development right of the super high rise office towers at our Chongqing Tiandi project ("Chongqing Super High Rise"), to WCL for a consideration of RMB1,021 million and recorded a gain on disposal of RMB819 million in 2008.

Including the above two transactions, the Group completed five transactions of strategic partnerships spanning four projects during the past three years from 2006 to 2008, bringing in a total consideration of RMB4.8 billion and an aggregate gain on partial disposal of equity interest in subsidiaries of RMB3.1 billion to the Group.

Projects	Transaction date	Equity interests disposed	Gross proceeds before minority interests (RMB'million)	Attributable profits (RMB'million)
Chongqing Tiandi	September 2006	19.8%	1,006	582
Wuhan Tiandi	June 2007	25.0%	1,245	480
Taipingqiao Lot 116	June 2007	49.0%	364	364
Rui Hong Xin Cheng	May 2008	25.0%	1,125	862
Chongqing Super High Rise	August 2008	25.0%*	1,021	819**
Total			**4,761**	**3,107**

* *Prior to the partial disposal of equity interest to a strategic partner in August 2008, the Group had 79.4% interests in Lot B11-1/02 which will be developed into super high rise. Subsequent to this transaction, the Group has 59.5% effective interest in the Chongqing Super High Rise project.*

** *Represents the gain on partial disposal of equity interests of RMB1,021 million, offset by the strategic partner's share of profits of RMB202 million.*

It remains the Group's strategy to forge strategic partnerships with developers, contractors, consultants and other investors and replicate those relationships in our other projects in the same city or elsewhere, to the extent commercially feasible, when such relationships are proving to be beneficial and working well, thereby also enhancing our operational efficiency.

Financial Review

Shanghai Taipingqiao Project

Profit attributable to Company's shareholders for 2008 was RMB2,480 million, a slight increase of 1% when compared to 2007 (2007: RMB2,462 million).

FINANCIAL REVIEW

Turnover decreased by 22% to RMB3,556 million (2007: RMB4,570 million), primarily due to the drop in property sales in the second half of the year.

Property sales decreased by 28% to RMB2,939 million (2007: RMB4,085 million). During the year, the Group sold a total of 907 units or 85,100 sq.m. (2007: 951 units or 138,000 sq.m.). Details of the property sales during the year are all contained in the paragraph headed "Property Sales" in the Business Review Section referred to above.

Property investment turnover increased by 25% to RMB593 million (2007: RMB474 million), benefitting from increases in the average rental rates in Shanghai Xintiandi and Shanghai Corporate Avenue as well as increases in occupancy rates at Shanghai Knowledge and Innovation Community and Wuhan Tiandi since many new tenants commenced their leases towards the end of 2007.

Gross profit for the year ended 31 December 2008 was RMB2,032 million (2007: RMB2,685 million) and the gross margin was 57% (2007: 59%). The slightly reduced gross margin in 2008 was due mainly to a lower gross margin from the sales of Casa Lakeville (Shanghai Taipingqiao, Lot 113) in 2008 against the comparatively higher gross margin from the sales of Lakeville Regency (Shanghai Taipingqiao, Lot 114) in 2007, both of which were the key contributors to gross profit for the respective years.

Other income increased by 27% to RMB342 million (2007: RMB269 million) largely attributable to tax refunds from reinvestment of dividends and grants received from certain local government authorities totalling RMB109 million.

Selling and marketing expenses increased by 18% to RMB134 million (2007: RMB114 million) due to more projects were launched for sale in 2008.

In 2008, *general and administrative expenses* increased by 25% to RMB697 million (2007: RMB556 million) due to higher employee benefits expenses and a higher level of professional and consulting fees that were required for the Group's business expansion. The increase in employee benefits expenses included share compensation costs of RMB54 million (2007: RMB36 million) in respect of share options granted to staff so far and the effect of an increase in the number of average headcount to 1,250 for the year 2008 (2007: 1,031).

Operating profit decreased by 32% to RMB1,543 million (2007: RMB2,284 million) due to the various items referred to above.

Increase in fair value of investment properties gave rise to a gain of RMB382 million in 2008 (2007: RMB577 million).

Details of the *gains on partial disposal of equity interests in subsidiaries* are all contained in the paragraph headed "Accelerate Growth through Strategic Partnerships" in the Business Review Section referred to above.

Finance costs, net of exchange gain amounted to RMB133 million (2007: RMB125 million), which comprised mainly interest expenses of RMB824 million (2007: RMB458 million) less amount capitalised to properties under development of RMB618 million (2007: RMB358 million). The increase in interest expenses was mainly the result of a higher level of bank borrowings, which as of 31 December 2008 amounted to RMB8,198 million (31 December 2007: RMB4,405 million). In addition, finance costs include fair value change on cross currency interest rate swaps of RMB242 million (2007: RMB188 million). The increase in the finance costs was partly offset by an exchange gain of RMB343 million (2007: RMB197 million) arising from the appreciation of RMB against HK dollar and US dollar in relation to the Group's bank borrowings that are denominated in HK dollar and US dollar.

Profit before taxation increased slightly by 1% to RMB3,719 million (2007: RMB3,687 million) as a result of the various items described above.

Taxation was RMB977 million (effective tax rate: 26%) for the year 2008 as compared to RMB820 million (effective tax rate of 22%) for 2007. The increase in the effective tax rate was due largely to the PRC Land Appreciation Tax of RMB539 million (2007: RMB224 million), which included additional provision of RMB270 million that has been made and charged against the consolidated income statement for the year ended 31 December 2008. That in turn resulted in adjustments to the allocation of certain public facilities costs as development costs among the various property development companies incorporated in the PRC that undertake the development of the various phases of our Shanghai Taipingqiao project. The revised cost allocation has been accepted by the relevant local tax bureau in the recent income tax filings.

Furthermore, the lower effective tax rate for the year ended 31 December 2007 reflected a non-recurring deferred tax credit adjustment of RMB343 million being recognised. As a result of the enactment in March 2007 of the new Corporate Income Tax Law of the PRC, enterprises were subjected to a uniform income tax rate of 25% with effect from 1 January 2008. To reflect this change in the tax rate from 33% to 25%, the carrying value of the deferred tax liabilities as of 31 December 2007 was written down by RMB343 million and credited to the consolidated income statement for the year then ended.

Profit attributable to shareholders of the Company for the year ended 31 December 2008 was RMB2,480 million, a slight increase of 1% when compared to 2007 (2007: RMB2,462 million).

The effects on profit attributable to shareholders of 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:

	2008 RMB'million	2007 RMB'million	% change
Profit attributable to shareholders of the Company	**2,480**	2,462	+1%
Revaluation increase on investment properties (net of deferred tax effect and share of minority interest)	**(279)**	(419)	
Loss on change in fair value of derivative financial instruments	**13**	17	
Profit attributable to shareholders of the Company before (i) revaluation of investment properties; and (ii) fair value adjustment on derivative financial instruments	**2,214**	2,060	+7%

Earnings per share were RMB0.59 calculated based on a weighted average of approximately 4,186 million shares in issue during the year (2007: RMB0.59 calculated based on a weighted average of approximately 4,185 million shares in issue).

CAPITAL STRUCTURE, GEARING RATIO AND FUNDING

During the year, the notes were redeemed by using internal resources and borrowings at market lending rates. As of 31 December 2008, the Group's utilised bank borrowings amounted to approximately RMB8,198 million (31 December 2007: RMB7,072 million, including the notes of RMB2,667 million), of which RMB7,493 million were secured debts and RMB705 million were unsecured debts (31 December 2007: RMB3,843 million and RMB3,229 million, respectively).

The structure of the Group's bank borrowings as of 31 December 2008 is summarised below:

	Currency denomination	Total (in RMB equiv) RMB'million	Due within one year RMB'million	Due more than one year but not exceeding two years RMB'million	Due more than two years but not exceeding five years RMB'million	Due more than five years RMB'million
Secured	RMB	1,794	462	576	407	349
	US$	750	750	–	–	–
	HK$	4,949	36	974	3,939	–
Unsecured	HK$	705	705	–	–	–
Total		**8,198**	**1,953**	**1,550**	**4,346**	**349**

Total cash and bank deposits amounted to RMB3,380 million as of 31 December 2008 (2007: RMB3,697 million), which included RMB1,709 million (31 December 2007: RMB854 million) of deposits pledged to banks. The decrease in our cash balance was due mainly to the redemption of notes which matured in October 2008, capital injections for DALIAN TIANDI.software hub and payments of land costs for Foshan Tiandi, partially offset by the drawdown of new bank loans and the proceeds from property sales as well as the proceeds received from transfers of equity interests to strategic partners.

As of 31 December 2008, the Group's net debt balance was RMB4,818 million (31 December 2007: RMB3,375 million) and its total equity was RMB19,164 million (2007: RMB16,706 million). Accordingly, the Group's net gearing ratio was approximately 25% as of 31 December 2008 (2007: 20%), 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.

The Group's rental income during the year ended 31 December 2008 expressed as a percentage of the Group's total interest costs before capitalisation to property under development was approximately 60% (2007: approximately 88%).

Total assets of the Group amounted to RMB35.1 billion (31 December 2007: RMB29.9 billion). The Group's secured debts to total assets ratio as of 31 December 2008 was 21% (31 December 2007: 13%). The total assets have not reflected the increase in the valuation of our landbank with the exception of investment properties that are being carried at independent valuations. During the three years ended 31 December 2008, the Group has sold equity interests in certain of our projects to strategic partners. In 2006, a 19.8% interest in Chongqing Tiandi was sold which resulted in a gain of RMB582 million. In 2007, a 25% interest in Wuhan Tiandi and a 49% interest in Lot 116 of Shanghai Taipingqiao were sold, giving rise to a gain of RMB480 million and RMB364 million, respectively. In 2008, the sale of a 25% interest in Shanghai Rui Hong Xin Cheng and 25% equity interest in Rightchina Limited in relation to Chongqing Super High Rise resulted in a gain of RMB862 million and RMB819 million (RMB1,021 million net of share of minority interests of RMB202 million) respectively. All of these transactions were based on arm's length negotiations and, therefore, reflect the valuations ascribed to between a willing buyer and a willing seller. If we adjust the valuation of our landbank as of 31 December 2008 to that of the transacted values of each of these projects, the Group's adjusted total assets would have increased to RMB49.7 billion; and the ratio of secured debts to adjusted total assets would have been reduced to 15% as of 31 December 2008.

Total undrawn banking facilities available to the Group were approximately RMB340 million as of 31 December 2008 (31 December 2007: RMB1,718 million). Subsequent to 31 December 2008, Shui On Group and Agricultural Bank of China ("ABC") signed a Memorandum of Understanding for a three-year loan facility up to RMB13 billion. According to this, ABC will provide part of the facilities to Shui On Land and its subsidiaries up to RMB8 billion for property development, subject to the formal approval by ABC. In addition, the Bank of China ("BOC") has offered a letter of intent for granting a RMB4 billion medium to long term loan facility for the development of our Foshan project. These collaborations with ABC and BOC will help the Group to further strengthen the Group's financial capability to expand our business and to create more values for investors and customers.

PLEDGED ASSETS

As of 31 December 2008, 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 RMB14,015 million (31 December 2007: RMB11,663 million) to secure our borrowings of RMB7,493 million (31 December 2007: RMB3,843 million).

CAPITAL AND OTHER DEVELOPMENT RELATED COMMITMENTS

As of 31 December 2008, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB5,418 million (31 December 2007: RMB5,065 million).

In addition, the Group entered into a Confirmation Agreement with the Land Exchange Centre confirming the Group's successful bid for a plot of land in Foshan. Under this Confirmation Agreement, a total consideration for acquiring the land use rights is RMB7,510 million, against which RMB2,864 million has been paid to the Land Exchange Centre up to 31 December 2008. The remaining balance of RMB4,646 million will be paid in stages in line with relocation progress (2007: the Group has made a refundable deposit amounting to RMB1,200 million).

The Group has agreed to provide further funding to the associates formed for the development of DALIAN TIANDI. software hub project, whereby the Group will ultimately hold a 48% effective interest. As of 31 December 2008, the Group has issued guarantees amounting to RMB 528 million (2007: RMB285 million) to banks in respect of banking facilities granted to the associates, in which the associates have drawn down bank loans amounting to RMB480 million (2007: RMB250 million). In addition, the Group had commitment to provide further funding to the associates amounting to approximately RMB121 million (31 December 2007: nil).

The Group has also committed to building certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of educational facilities originally located in the area. As of 31 December 2008, the Group had not entered into any construction contracts relating to such educational facilities (2007: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND SOURCES OF FUNDING

We will continue focus on the development of our existing landbank which is located in prime locations. While our primary focus is on city-core development projects and integrated residential development projects, we will, in appropriate cases, 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, if we feel the right opportunity presents itself.

Material investments will be funded, in the main, by using a combination of project construction loans, mortgage and other loans, and cash provided by operating activities, including from the rental, sales and pre-sales of properties, and proceeds from sale of equity interests in our projects to strategic partners, as appropriate.

CASHFLOW MANAGEMENT AND LIQUIDITY RISK

The management of cashflow in the Group is the responsibility of the Group's treasury function at the corporate centre based in Shanghai.

Our objective is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, and bank 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 turnover of the Group is denominated in Renminbi. A portion of the turnover, however, is converted into other currencies to meet the foreign currency denominated debt obligations, such as the bank borrowings denominated in Hong Kong dollars and the notes denominated in US dollars. As a result, the Group is exposed to fluctuations in foreign exchange rates.

In December 2006 and January 2007, the Group had entered into cross currency interest swaps to hedge against the variability of cash flows arising from the fluctuation of currency in relation to the notes previously issued by the Group. The terms of the cross currency interest swap have been negotiated to match the terms of the notes, whereby the Group received interest at a fixed rate of 8.5% per annum based on notional amount of US$375 million, paid interest at a fixed rate of 5.2% per annum and exchanged the principal at maturity whereby the Group would receive US$375 million and pay RMB2,931 million. In April 2008, the cross currency interest rate swap was terminated early. The residual hedge reserve of RMB138 million, which mainly represented the fair value loss arising from the cross currency interest rate swap, was recognised in the consolidated income statement against exchange gain upon the maturity of the notes in October 2008.

Considering that a relatively stable currency regime with regard to the Renminbi is maintained by the PRC 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, Hong Kong dollars and US dollars may not be significant.

The Group's exposure to cash flow 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 increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the debt obligations.

In December 2007 and April 2008, the Group has refinanced two mortgage loans that bear variable interests which were linked to 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 flows arising from the interest rate fluctuations. Accordingly, during the year, the Group has entered into interest rate swaps in which the Group would receive interests at variable rates at 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 2008. In view of the increasing market volatility, the Group is closely monitoring its exposure to interest rate and exchange rate risks. If there is a need to further employ derivative financial instruments to hedge against the risks exposed, the Group will carefully assess the effectiveness of these instruments and the credit worthiness of the counter party.

Market Outlook

Wuhan Tiandi

We believe that the drivers for housing demand, namely an increasing number of urban households, income growth and the entrenched Chinese cultural preference for home ownership, remain intact.

Global financial markets experienced heightened volatility late last year as the failure of several key financial institutions triggered fears of a domino-like collapse of the financial system. Market panic has eased following government intervention to stabilize banking systems and injections of liquidity. Nonetheless the process of deleveraging among financial institutions has resulted in extremely tight funding conditions, and globally bank lending activities have been slow to return to normal levels. This has hampered the ability of companies operating in China – including property developers – to obtain offshore financing. On the positive side, domestic funding conditions on the Chinese mainland are loosening.

In response to a worsening economic outlook, advanced economies have taken aggressive actions to repair the banking system, restore credit flows and strengthen economic activity. China has moved swiftly to stimulate domestic demand with some success, for instance, in inducing strong bank lending growth since December 2008. China has ample room to ease fiscal and monetary policies putting it in an enviable position to begin the road to recovery in advance of most other economies.

China's stimulus programme aims to provide comprehensive support for short-term growth while rebalancing the economy towards the domestic market and away from excessive dependence on exports. Mindful of the critical role housing plays within domestic demand, the government is encouraging home sales by reducing transaction and borrowing costs. To further support domestic demand, the government is implementing large spending plans that cover infrastructure, post-earthquake reconstruction and welfare housing, and has cut interest rates and loosened credit aggressively. We expect these rebalancing policies to facilitate a structural shift towards a domestic demand-led economic model. This more sustainable growth model will generate demand for increasingly sophisticated property products going forward.

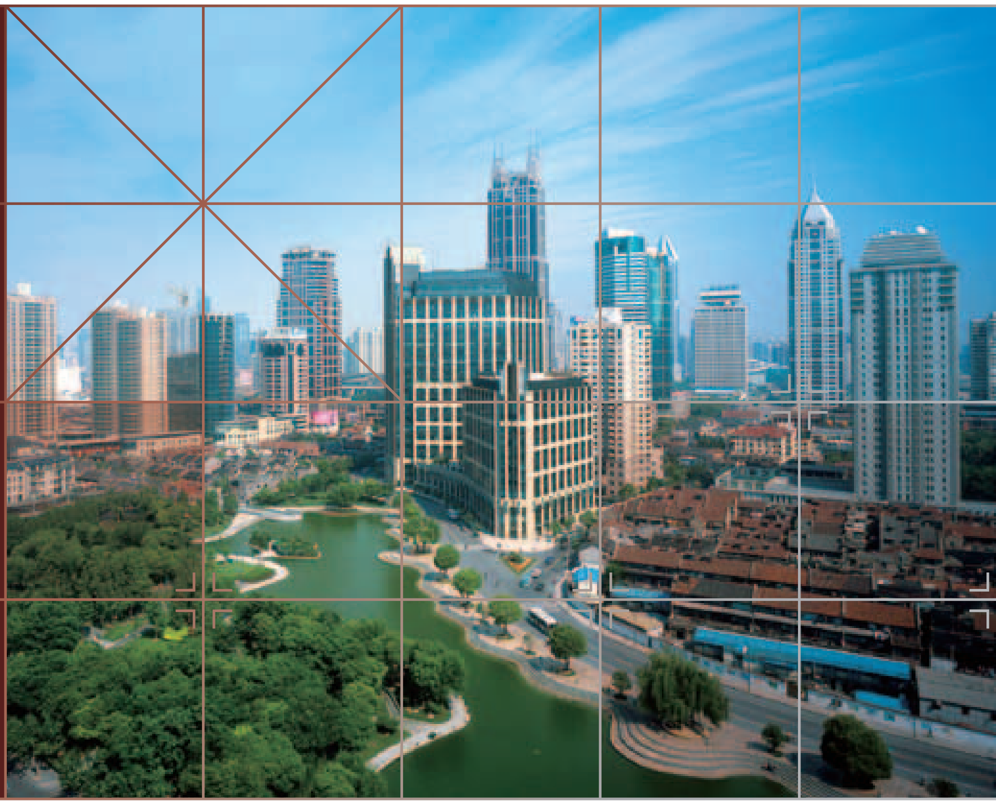
The government, which views property as one of the pillar industries, put in place tax and lending incentives for home purchase and allowed local discretion to provide additional policy support if needed. In response, home buying sentiment is showing early signs of recovery. Since November 2008, home transaction volumes in major cities have continued to follow a rising trend. We believe that the drivers for housing demand, namely an increasing number of urban households, income growth and the entrenched Chinese cultural preference for home ownership, remain intact.

2009 will continue to be a tough year but all is not grim. Prospects remain good in the cities where our projects have passed beyond the incubation phase, namely Shanghai, Hangzhou, Wuhan and Chongqing. In Shanghai, the massive 2010 World Expo infrastructure investment programme will improve transport accessibility and the State Council's recent reaffirmation that Shanghai will be built into the international financial centre of China will provide support for land and property values of our projects. In Hangzhou, the government has acted swiftly to boost tourist spending and local consumption. Following a successful launch in January 2009, the city has expanded its consumption voucher programme fivefold, covering a wide range of commercial outlets, which include the major tourist attractions, hotels, restaurants and entertainment venues. Xihu Tiandi is expected to benefit from this programme to encourage consumer spending.

Wuhan's prominent position within the "Rise of Central China" regional development programme and its function as a national transport hub. This is symbolized by the 1 April 2009 opening of the Wuhan-Hefei high-speed rail-line that has halved the travel time from Wuhan to Shanghai to four hours and 45 minutes. These factors, together with the upcoming Wuhan Tianhe International Airport expansion project, add to our confidence that our project will continue to develop well. Chongqing has been designated by the State Council as a pilot reform city, similar to Shanghai and Tianjin, and in February 2009, gained approval to undertake financial reforms in areas such as livestock commodity exchange, insurance, a centre for electronic bills transaction and foreign exchange management. These reforms will catalyze Chongqing's development as a commercial and financial hub for Western China. Our project is well positioned to capitalize upon Chongqing's strong economic and property market growth trajectory following a rebound of market transactions in 2009.

The property industry's fundamentals remain strong. We believe our unique business model and proven expertise in master planning will enable us to play a significant role in China's economic transformation and integration with the global economy. We hold a portfolio of income-generating properties that we have developed as strategic, long-term investments. We believe the long-term prospects of the projects undertaken by Shui On Land are all excellent. We will continue to pursue our aspiration to be the premier innovative property developer in the Chinese Mainland, the most exciting property market in the world.

Landbank at a Glance



Shanghai Taipingqiao Project

The Group's total landbank as of 31 December 2008, together with that of its associate, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA							
	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest (sq.m.)	Attributable GFA (sq.m.)
Completed properties:								
Shanghai Taipingqiao	81,000	53,000	32,000	16,000	52,000	234,000	Various	228,000
Shanghai Rui Hong Xin Cheng	–	33,000	–	8,000	15,000	56,000	74.3%**	42,000
Shanghai Knowledge and Innovation Community	37,000	30,000	24,000	–	28,000	119,000	86.8%#	103,000
Hangzhou Xihu Tiandi	–	5,000	–	1,000	–	6,000	100.0%	6,000
Wuhan Tiandi	–	16,000	10,000	4,000	20,000	50,000	75.0%	38,000
Chongqing Tiandi	–	–	92,000	4,000	25,000	121,000	79.4%	96,000
Subtotal	**118,000**	**137,000**	**158,000**	**33,000**	**140,000**	**586,000**		**513,000**

Project	Approximate/Estimated leasable and saleable GFA Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest (sq.m.)	Attributable GFA (sq.m.)
Properties under development:								
Shanghai Taipingqiao	107,000	80,000	23,000	3,000	115,000	328,000	99.0%	325,000
Shanghai Rui Hong Xin Cheng	–	14,000	221,000	6,000	40,000	281,000	74.3%**	209,000
Shanghai Knowledge and Innovation Community	65,000	12,000	22,000	3,000	63,000	165,000	86.8%#	143,000
Hangzhou Xihu Tiandi	–	29,000	–	–	40,000	69,000	100.0%	69,000
Wuhan Tiandi	1,000	32,000	86,000	10,000	78,000	207,000	75.0%	155,000
Chongqing Tiandi	–	46,000	202,000	17,000	95,000	360,000	79.4%	286,000
DALIAN TIANDI.software hub	1,314,000	529,000	1,110,000	–	–	2,953,000	48.0%^	1,417,000
Foshan Lingnan Tiandi	–	92,000	55,500	30,000	–	177,500	100.0%	177,500
Subtotal	**1,487,000**	**834,000**	**1,719,500**	**69,000**	**431,000**	**4,540,500**		**2,781,500**
Properties held for future development:								
Shanghai Taipingqiao	174,000	97,000	256,000	38,000	97,000	662,000	99.0%*	612,000
Shanghai Rui Hong Xin Cheng	85,000	83,000	640,000	–	12,000	820,000	74.3%**	608,000
Shanghai Knowledge and Innovation Community	18,000	14,000	137,000	43,000	34,000	246,000	86.8%#	213,000
Wuhan Tiandi	322,000	206,000	599,000	66,000	54,000	1,247,000	75.0%	935,000
Chongqing Tiandi	806,000	387,000	1,165,000	112,000	599,000	3,069,000	79.4%^^	2,301,000
DALIAN TIANDI.software hub	413,000	133,000	–	42,000	–	588,000	48.0%^	283,000
Foshan Lingnan Tiandi	450,000	193,000	636,000	80,000	47,500	1,406,500	100.0%	1,406,500
Subtotal	**2,268,000**	**1,113,000**	**3,433,000**	**381,000**	**843,500**	**8,038,500**		**6,358,500**
Total land bank GFA	**3,873,000**	**2,084,000**	**5,310,500**	**483,000**	**1,414,500**	**13,165,000**		**9,653,000**

* *The Group has 99% interests in all remaining lots, except for Lot 116, in which we have a 50% effective interest after sale of a 49% interest to a strategic partner in 2007.*

** *The Group has a 75% interest in the Phase I of Shanghai Rui Hong Xin Cheng project and 74.3% interests in all remaining phases.*

\# *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*

^ *DALIAN TIANDI.software hub comprises 23 plots of land. It is the intention of the joint venture to acquire all 23 plots of land. As of 31 December 2008, 16 plots of land of approximately 2.83 million sq.m. of GFA have been acquired with legally binding contracts signed. The remaining 7 plots of land over 0.71 million sq.m. of GFA will be acquired by way of public bidding in the due course.*

^^ *The Group has 79.4% interests in all remaining properties held for future development, except for Lot B11-1/02 which will be developed into super high rise, in which the Group has a 59.5% effective interest after a partial disposal of equity interest to a strategic partner in August 2008.*

READINESS

Our readiness is key, enabling us to fully exploit our core strengths, to develop team spirit, to fulfil our responsibilities for society and the environment, to seek out opportune partnerships and to fully benefit from our finely honed corporate organisation and attention to governance.

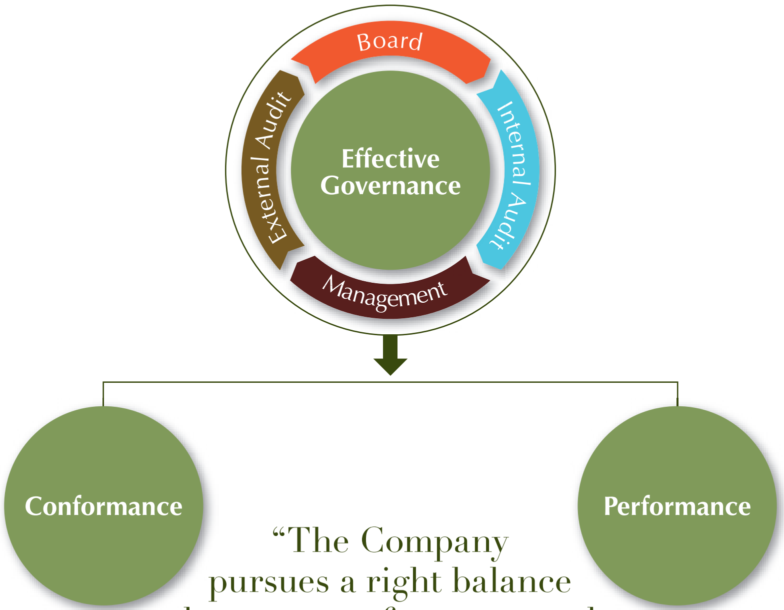
CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company is pleased to present the Corporate Governance Report for the year ended 31 December 2008.

The Company is committed to enhancing its corporate governance practices appropriate 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 for high standards of corporate governance and investor relations for the financial year ended 31 December 2008 from various organisations. These awards are listed in the "Awards Received" section of this report.

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 2008, 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 also 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 82 to 97. During the year ended 31 December 2008, 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 and member of Remuneration Committee)
Mr. Louis H. W. WONG (Managing Director – Project Management)
Mr. Aloysius T. S. LEE (Managing Director – Commercial)

Non-executive Director:
The Honourable LEUNG Chun Ying

Independent Non-executive Directors (INEDs):
Sir John R. H. BOND
Dr. Edgar W. K. CHENG (Member of Audit Committee)
Dr. William K. L. FUNG (Chairman of Remuneration Committee)
Professor Gary C. BIDDLE (Chairman of Audit Committee and member of Remuneration Committee)
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 76 to 79.

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 and Remuneration Committees of the Company. Their active participation in Board and committee meetings brings independent judgment on issues relating to the Company's strategy, performance and management process, 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.

The Board has established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. Based on the criteria as set out in the Nomination Procedure such as appropriate experience, personal skills and time commitment, the Chairman of the Board shall identify and recommend the proposed candidate to the Board for approval of an appointment.

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.

Management met shareholders at the debut "Networking with Shareholders" session held after the Annual General Meeting

BOARD AND BOARD COMMITTEES MEETINGS

Number of Meetings and Directors' Attendance

The Company held five full board meetings in the year 2008 and has already set a schedule for its regular board meetings and committee meetings in the year 2009 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)	5/5
Mr. William T. ADDISON (Resigned with effect 15 October 2008)	4/4
Mr. Louis H. W. WONG (Appointed with effect 15 October 2008)	1/1
Mr. Aloysius T. S. LEE (Appointed with effect 15 October 2008)	1/1
Sir John R. H. BOND	3/5
The Honourable LEUNG Chun Ying	2/5
Dr. Edgar W. K. CHENG	4/5
Dr. William K. L. FUNG	5/5
Professor Gary C. BIDDLE	5/5
Dr. Roger L. McCARTHY	4/5
Mr. David J. SHAW	3/5

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 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 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 not to 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 briefing 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 2008.

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.

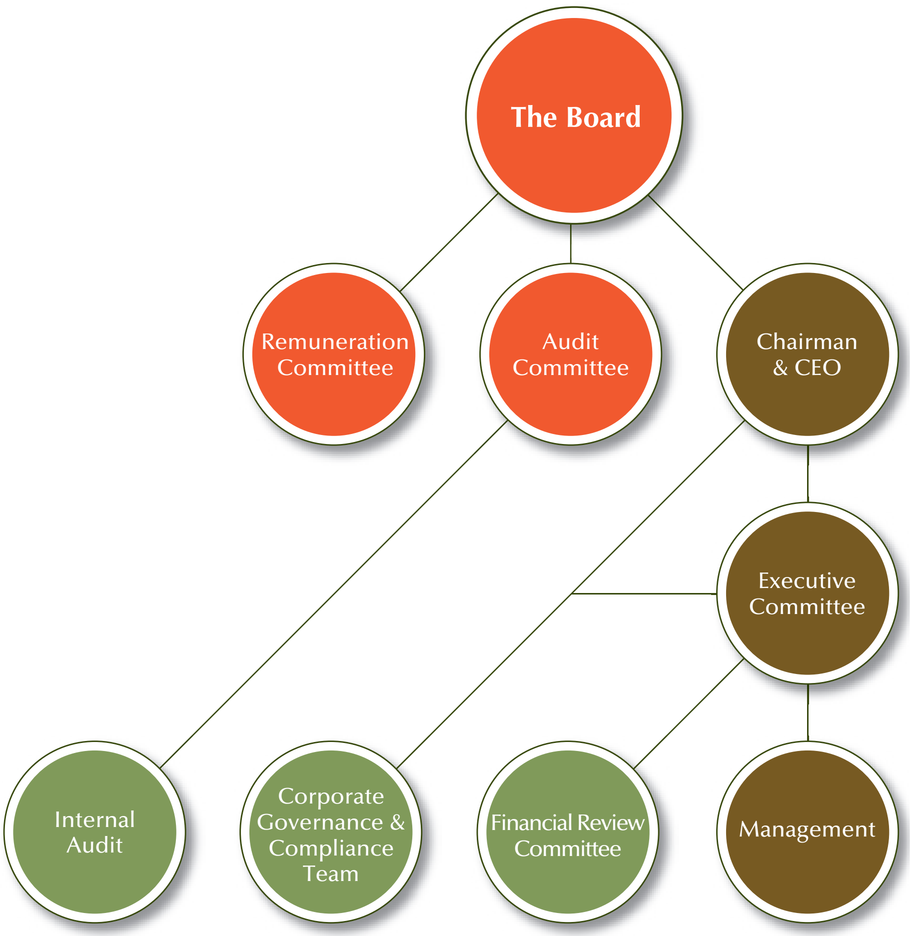
No incident of non-compliance with these written guidelines by the relevant employees was noted by the Company.

BOARD COMMITTEES

During the year ended 31 December 2008, the Board has two established committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs.

The two 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.

SHUI ON LAND CORPORATE GOVERNANCE ORGANISATION



The majority of the members of each board committee are INEDs and the list of the chairman and members of each board committee is set out under "Corporate Information" on page 168.

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.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of the Directors and senior management, and 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 2008 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 2007 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 2008 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 adequa cy 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 2008, 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 2008, and the attendance records are set out as below:

Name of Committee Members	Attendance/ Number of Meeting(s)
Professor Gary C. BIDDLE (Chairman)	2/2
Dr. Edgar W. K. CHENG	1/2
Dr. Roger L. McCARTHY	2/2

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.

RISK ASSESSMENT/MANAGEMENT

Strategic Planning

Beginning in the second quarter of 2008, under the leadership of the Chairman and CEO, and with the assistance of prominent external consultants, the management of the Company has formulated a Nine-year Strategic Plan that sets out the road map of the Company for its strategic and sustainable growth during this period.

The plan was finalised in the third quarter of 2008. Strategic action plans were developed to achieve these long-term goals and objectives by relevant executives and management. In order to ensure the commitment and accountability of management in realising these action plans, an automatic and computerised system was developed and implemented. The system is used to monitor and track the progress of initiatives, as well as to appraise individual performance.

Resources Planning and Cost Control

In order to face the economic turbulence of current 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 is chaired by the Chairman and CEO, and comprises relevant executives of the Company. It focuses on resources planning and allocation, as well as the prioritisation of projects.

The Cost Control Taskforce is chaired by the Managing Director-Project Management, and comprises relevant executives of the Company. It focuses on managing costs in the short and long run, enhancement of the cost consciousness culture and behaviour of the Company, as well as the reviewing and monitoring of the Company's expenditure.

Budgeting and Budgetary Control

During the year ended 31 December 2008, the Finance Department successfully implemented the Hyperion, which is an automated software package used to enhance the effectiveness and efficiency of the Budgeting and Budgetary Control Process of the Company. It also allows the faster responsiveness of the Company in its planning process for risks that are due to changes in both internal and external environments, and provides faster scenario analysis to management for their prompt decision-making and control.

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. Currently, 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.

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 setting up its detailed internal control documentation and evaluation system. 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.

During the year, the Company also completed an Information Security Program by means of which the Company's information and data are better and more systematically classified, distributed, stored, archived, and disposed according to prescribed rules and guidelines. An Information Security Committee was established to formulate policies and approve procedures to ensure the better control and protection of confidential information of the Company, and to supervise a Working Team under it which works closely with management at various levels on the continual monitoring and enforcement of the Program.

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

Shui On people embrace the principles and guidelines stipulated in the Code of Conduct and Business Ethics

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.

CODE OF CONDUCT AND BUSINESS ETHICS

The Company's Code of Conduct and Business Ethics (the "Code") was rolled out to all staff in January 2008. It stipulated how Directors and staff should deal with conflicts of interest situations, business activities and relationships, and financial dealings. The Code also constitutes a standard agreement term with the Company's agents, representatives, consultants, contractors, sub-contractors, business partners, resellers, sales and marketing agents, and suppliers. Adequate training and printed pocket guidelines were provided to staff to help them to comply with the code.

An Ethics Committee comprising senior executives was established by charter to monitor, review and enforce the compliance of the Code. An annual survey of awareness and an internal audit of compliance will be conducted each year in future.

ANTI-FRAUD MEASURES

An Irregularities Reporting System (a whistle-blowing system) was installed for reporting on violations of the 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 introduced 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 2008.

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 98 and 99.

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 2008 is set out as follows:

Services rendered for the Company	Fee paid/payable
Audit services:	HK$6 million
Non-audit services:	HK$5 million
Total:	HK$11 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. The Company's website is updated to increase contents and provide more convenience. Important events regarding financial results, business development and operations are also announced on a timely basis to investors through www.shuionland.com.

To maintain and improve the visibility of the Company in the financial community, the Company has held numerous road shows and participated in investor conferences during 2008. 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. The table summarised the key investor relations events in 2008.

Major Investor Relations Events in 2008

Month	Event
January	Reverse road show, Shanghai
	UBS Great China Conference, Shanghai
	Deutsche Bank Access China 2008, Beijing
April	Announcement of the 2007 annual results • Press conference • Analyst briefing
	2007 annual results road show, Hong Kong, Singapore, United States, United Kingdom
	JPMorgan China Conference 2008, Beijing
May	Macquarie China Real Estate Conference, Guangzhou
	13th CLSA China Forum, Shanghai
June	Reverse road show, Shanghai
July	Analyst Day, Hong Kong, Shanghai
August	Announcement of the 2008 interim results • Press conference • Analyst briefing
	2008 interim results road show, Hong Kong, Singapore
October	JPMorgan CEO Forum, Hong Kong

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 Remuneration Committee and Audit Committee 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 will also be available to answer questions at any general meeting to approve 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 on 5 June 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 5 June 2008 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, a "Networking with Shareholders" session was conducted immediately after the Annual General Meeting held on 5 June 2008. During the session, shareholders were provided with a chance to discuss matters with senior management of the Company in a face-to-face dialogue. This session was well attended by shareholders. The meeting included sharing of the latest business initiatives and long-term development strategy of the Company as well as the answering of shareholders' questions.

To further ensure that all disclosures made by the Company to its shareholders are made in an accurate, complete and timely manner, the Company is establishing a Disclosure Committee together with its relevant processes for oversight of the disclosures made by the Company.

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 will be 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.

Mr. Vincent H. S. LO (left), Chairman and CEO, delivered a speech entitled "Corporate Governance of Company's Sustainable Growth" at the luncheon organised by the Chamber of Hong Kong Listed Companies

Colleagues took the photo at the award presentation ceremony of the "Best Practice Awards 2008 – Enterprise Governance", one of the several awards honoured to the Company related to corporate governance during the year

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 2008, the Company received several awards related to corporate governance, communications with shareholders and investors and investors 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		
January 2009	The Best in Corporate Governance 2008 – Honourable Mentions (Hong Kong)	"The Asset" Magazine
December 2008	Hong Kong Outstanding Enterprises Award 2008	"Hong Kong Economic Digest" Magazine
November 2008	Silver Awards (Brand-with-a-Conscience Award 2008 – Business Ethics and Corporate Governance)	Hong Kong Institute of Marketing
November 2008	Best Practice Awards 2008 – Enterprise Governance	Best Practice Management Group
September 2008	The Best Brand Enterprise (Greater China) Award 2008 – Grand Prize	Hong Kong Productivity Council
June 2008	4th Corporate Governance Asia Recognition Awards 2008	"Corporate Governance Asia" Magazine
May 2008	Outstanding China Property Award 2008	"Hong Kong Economic Digest" Magazine
Communications with Shareholders and Investors/Investor Relations Related		
November 2008	Best Annual Reports Awards 2008 – Citation for Design	Hong Kong Management Association
August 2008	Gold Award (Overall Annual Report – Real Estate Development/ Service: Various & Multi-Use)	ARC Awards 2008
August 2008	Gold Award (Written Text – Property)	ARC Awards 2008
August 2008	Silver Award (Cover Photo/Design – Property)	ARC Awards 2008

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is one of the cornerstones of sustainable development. In recognition of this, the Company's CSR guiding principle is "to grow and prosper with the city", enabling us to improve individuals' standard of living, enhance the community and environment as well as strengthen the city's competitiveness. All our members adhere to and practise this principle through sustainability initiatives and community programmes.

1: Wuhan Tiandi project team organised free medical consultations to migrant workers
2, 3: Different projects in the Company initiated fundraising activities for immediate earthquake relief action
4: The Company sponsored the "Shanghai Schoolyard Civilised Etiquette Competition" to foster civilised values

COMMUNITY DEVELOPMENT

We aim to build a better future together with the communities in which we are involved. We take an active role in designing and implementing programmes that focus on enhancing the well-being of communities, nurturing future leaders, and broadening international horizons.

Health and Social Well-being

Since the Company set up the first ever Chongqing Emergency Medical Salvation Foundation in March 2006 with an establishment fund of RMB10 million, over 400 citizens, transient residents and visitors in the city who suffered from critical illnesses and serious accidents but could not immediately access their financial resources have benefited. The Foundation has also successfully solicited financial support from other private organisations and individuals.

We have offered free medical consultations since 2006 to over 4,500 migrant construction workers of the Wuhan Tiandi project who have no national medical insurance. We are one of only commercial enterprises to provide this free medical service. In 2008, around 600 construction workers received free consultations and health care education on preventing potential work-related illnesses such as respiratory and lung disease in November to enhance their health awareness.

Following the establishment of the RMB30 million Huangnichuan Village New Village Development Fund through our associate DALIAN TIANDI.software hub project in September 2007, we put forward a plan in 2008 to construct three apartment blocks to house 460 persons. This initiative will create job opportunities for local rural residents, provide residences for people working in our Dalian project and generate recurrent rental income to sustain the Fund. The apartment construction will start in the second half of 2009 and is expected to complete in 2010.

The 5・12 Earthquake in Sichuan Province was one of the worst natural disasters in recent Chinese history. The Company called for immediate earthquake relief action. Due to the concerted efforts of the Company, its sister companies and the employee volunteer organisation Seagull Club, a total sum exceeding RMB36 million was raised on the third day of the incident. The Company also co-hosted and sponsored various charity activities, including a charity auction with Wai Yin Association to raise an additional RMB1 million for the relief work.

Empowering the New Generation

The Company is committed to developing young talents for the long-term growth of our communities. Under the RMB50 million IT Talents Foundation in Dalian established by the joint donations of the Company and the Dalian government, a scholarship of RMB2.7 million was set aside in 2008 to support 490 outstanding university students from nine mainland tertiary institutions by offering grants and training development opportunities after graduation. We believe that the scholarship will further nurture talents for the fast growing IT industries in Dalian.

We have funded a RMB4.5 million scholarship running from 2005 to 2009 to allow outstanding students of Fudan University to study at the elite Yale University to broaden their horizons. In the summer of 2008, the fund supported 29 undergraduates for a six-week study tour in the US on subjects including Advanced English, Management, Finance, Law, Art, and International Relations.

SOL forged close relationship with the international community to promote sustainable urban development

KIC sponsored and provided the venue for the opening ceremony of international music festival to advocate cultural and artistic exchange

The Company title-sponsored the "Shanghai Schoolyard Civilised Etiquette Competition" in 2008 to promote a sense of "respect, cooperation, responsibility and thankfulness" among all 2.6 million primary, secondary and tertiary students in Shanghai. This was the second year the Company participated in this programme to foster civilised values in Shanghai.

Fostering International Connections

The Company continues to collaborate with international organisations to promote sustainable urban development. We title-sponsored the "CHINA NOW Urbanisation Conference" held in London in April. The conference was part of the UK's largest ever Chinese focused programme "CHINA NOW", which ran from February to July with a range of activities to foster the interest in and understanding of China-related subjects. Urban city planners, architects, real estate developers and policy-makers from all around the world gathered at the conference to exchange ideas and share experience in urban city planning, and to learn how our projects complement the government's city development.

We were the Lead Sponsor of the "Urban Regeneration Summit" organised by the Financial Times in association with Expo 2010 Shanghai. The Summit, held in September 2008 in Shanghai, attracted over 150 senior decision-makers from around the world to share views on facilitating sustainable environment and economic growth through urban regeneration.

Since the incubation of cultural exchange is one of its missions, the Knowledge and Innovation Community (KIC) sponsored the "Expo Clarion – 2008 Shanghai Spring International Music Festival cum KIC Cup Amateur Excellent Bands". At the opening ceremony held at KIC, over 40 bands from countries including China, the US, Australia, Japan and Korea showed their musical flair and provided a bright welcome for the Expo 2010 Shanghai.

In July, the Company also sponsored the "Shui On Cup IDSF World Cup Latin 2008 & the 5th China Shanghai International DanceSport Open" organised by the Shanghai Administration of Sports Bureau. 27 pairs of top-notch dancers representing their own countries participated in this international event in Luwan District in Shanghai.

Action to Make a Difference

The Company believes that volunteerism encourages effective self-learning. Guided by its mantra "Action to make a difference", the Company's employee volunteer organisation Seagull Club has set its focus on children education in the underprivileged environment. A dedicated group of 44 volunteers spent their Golden Week holidays in 2008 teaching and caring for more than 270 children in three primary schools in Jiangxi and Anhui Provinces. Many other colleagues in the Company also donated computers, printers, books, stationeries and toys to the children.

We made joint efforts with our shareholders to promote a greener environment by offering an opt-in initiative for the online version of our Annual Report 2007. In addition to the physical reduction in paper consumption, a total cost of HK$270,000 was saved, which will be donated to support Project Hope School in rural areas. After careful considerations, several possible school locations were identified together with the project organiser. Discussion will be continued to finalise the project details.

Shui On Seagull Club focused on underprivileged children education in Jiangxi and Anhui Provinces

SUSTAINABLE DEVELOPMENT

As a socially responsible corporate citizen, the Company does not only consider environmental conservation to be part of our duty, we also regard sustainability as key to the Company's long-term development.

Consistent Implementation of Sustainable Concepts

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 discuss and lay down concrete implementation plans for the next phase and to ensure that each task proceeds systematically in accordance with established goals. We require the concepts of sustainable development to be extended from corporate level to each and every segment of our projects. At corporate level, each department submitted an action plan to the Sustainable Development Committee in 2007 that formed the basis of future proceedings. At project level, all projects in the Company seek the highest level certification of the US Leadership in Energy and Environmental Design (LEED) of the US Green Building Council wherever feasible and/or equivalent China based ratings when they are more appropriate for the nature of the project. In addition, we aim to apply LEED or equivalent standards to all our projects and implement sustainable development concepts in every phase of our developments from master-planning, materials procurement and construction management to property management.

Our efforts in sustainable development have achieved encouraging results following an initial period of development and gradual implementation. In February 2008, our headquarters at 26th floor of Shui On Plaza achieved the LEED-Commercial Interiors (CI) Silver Level. Our projects have also obtained awards for their integration of sustainable development concepts into design and planning. For instance, the master-plan of the Wuhan project was recently awarded LEED-Neighbourhood Development (ND) Pilot Version (Stage 2) Gold rating and was the first commercial development project to achieve such a rating in the Chinese Mainland. Furthermore, the master-plan of Foshan Lingnan Tiandi project won the "Merit Award for Urban Design" of the American Institute of Architects (AIA) Hong Kong Chapter in 2008, and in February 2009, the project won the "AIA Honour Award for Regional and Urban Design", which was the profession's highest recognition of works in architecture and urban design. These awards manifest our commitment and achievement in sustainable development and also prove that we have moved in the right direction in regard to planning and execution.

Striving for Excellence through Innovation

Committed to striving for excellence through innovation, the Company applies the world's most advanced and quality design, construction and material techniques to project development. We emphasise research and development, and we also study the feasibility of using new construction techniques and materials to implement green and sustainable concepts.

During the year, Phase 2 of KIC Village was granted completion acceptance by the Government, which signified the successful application of prefabricated and sandwich thermal-insulating wall panel techniques innovated and developed by our Company. Prefabricated thermal-insulating wall panel keeps the strengths of prefabricated batch production, weather-resistance and durability. Furthermore, the adoption of the unique sandwich thermal insulation technique is effective in minimising the use of air-conditioning because of its long-lasting efficacy in temperature control, and thus energy saving. In October 2008, our prefabricated and sandwich thermal-insulating wall system obtained the Utility Model Patent of "a prefabricated thermal insulation wall panel" granted by the Chinese Government. The Company was invited to sit on the editorial board of the national standard "Code for Construction of Concrete Structures" overseen by the China Academy of Building Research and took up a similar position for the Shanghai "Design Specifications on Prefabricated Residential Building" overseen by Tongji University.

Minimising Consumption through Resources Management

Another of our sustainable development targets is the efficient utilisation of resources. Apart from rainwater collection and recycling, water saving sanitary fittings as well as the techniques of utilising solar and wind energy are widely applied to our projects. The result is that we achieved energy savings and consumption reduction by recycling construction materials dismantled from the construction process. For instance, bricks dismantled from the former site of Foshan Lingnan Tiandi were used as the construction site safety fence during the development. The recycling of construction waste was acclaimed by both local government and the community.

Encouraging Environmental Conservation through Green Procurement

Following affiliation with the Hong Kong Green Council in 2007, Shui On Land has expedited our involvement in green procurement. As the founding member of the "Hong Kong Green Purchasing Charter" (HKGPC) under the Council, the Company sat on the Membership Approval Committee. We have participated in seminars and activities organised by the Chapter, and we have also spoken in various green purchasing sharing sessions to exchange ideas and experience with other counterparts.

We have completed several strategic procurement collaborations and carried out green policies by introducing the latest environmental standards in related products. Materials and products provided by selected partners are required to meet our sustainable development standards in both their production and application aspects; this also means that they need to possess "Environmental Label" accredited by the Ministry of Environmental Protection of the People's Republic of China. In addition, these materials and products outperform others in the market in the area of water and energy saving, radioactivity, solubility of lead and cadmium, materials collection and recycling, etc. Our strategic procurement partners include market leaders that show outstanding achievement in energy saving and environmental conservation such as Kohler, Toto, Nabel, Cimic, Siemens and Oulin.

Rising to Challenges through Global Collaboration

We require ourselves to achieve sustainable development while equally caring about global energy and environmental issues. We constantly seek more extensive collaborations to respond to these challenges.

In mid-2008, a strategic collaboration memorandum with the United Nations Development Programme (UNDP) was signed in response to the energy and environmental challenges in China. We will share our experience on sustainable development via the UNDP platform and mobilise partners as well as tenants to play a part in various activities. The UNDP is the United Nations' global development network and has a presence in 166 countries. UNDP works with countries on solutions to global and national development challenges. We are UNDP's only property strategic partner in the Chinese Mainland.

In November, the "US/China Green Tech Summit" organised by China's Yangtze Council and United States' Bay Area Council, and co-organised by Shui On Land, was held in Shanghai. More than 400 experts from China and the US participated in the Summit to promote cooperation. They shared ideas on the exploration of innovative future renewable and green-tech energy as well as sustainability.

Dedicated Commitment of All Staff

We believe that sustainable development relies on efforts from both the management and staff at all levels. We have initiated our "Green Office" activities to promote environmental policies and concepts in the work place. Progress will be regularly announced to encourage all staff members to put our beliefs into action. In early 2008, we set up a new "Sustainable Development" page on our intranet to share the Company's policies, plans, achievements and other related updates with every member. In order to further familiarise staff members with sustainability concepts, the Sustainable Development Committee organised a logo design competition for our intranet. The logo designed by the champion was endorsed as the new logo of the "Sustainable Development" webpage.


1: The first "US/China Green Tech Summit" promoted bilateral cooperation and development in environmental conservation techniques
2, 3: Housing many international cleantech and venture capital organisations, KIC successfully held the "Cleantech and Venture Capital Forum" during the year to further drive the industry development

SUSTAINABLE DEVELOPMENT INITIATIVES:

Corporate	Achieve/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 improve indoor air quality; daylight sensors; addition of task lights; water-saving sanitary fixtures.
2. Shui On Land Ltd HQ – 25/F, Shui On Plaza	Achieved LEED-CI Silver Level	

Projects – Master-planning Stage	Achieve/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, utilising existing cultural and architectural characteristics, building at appropriate densities and orienting the development to maximise solar and wind access; district-wide infrastructure, including centralised heating and cooling, water source heat pumps, rainwater collection and recycling, and comprehensive green roof systems.
2. Chongqing	Registered as LEED-ND pilot project; targeting to achieve LEED-ND Gold rating	
3. Dalian	Target to achieve the highest feasible LEED-ND rating	Encourage use of public transit systems and appropriate development densities to preserve the unique natural environment; orient buildings to maximise natural wind ventilation to mitigate temperate extremes; water re-use and water recycling; use of thermal ocean pumps for ocean thermal energy conversion.
4. Foshan	Target to achieve the highest feasible LEED-ND 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; reuse and recycling of project construction materials; improved indoor air quality through building orientation and wind harvesting; integrated public transport systems.

Projects – Development Stage	Achieve/Target – Green Building Certification	Features
1. **Xihu Tiandi, Hangzhou**	Pre-certified of LEED-Core & Shell Platinum Level. The original pre-certification had expired and was re-registered	Natural ventilation; earth cooling; radiant cooling/heating; rainwater collection & recycling; photo voltaic for indoor public and sign lighting system; green roof systems.
2. **Wuhan Tiandi, Wuhan**	Target to achieve LEED-Core & Shell certification Gold Level	Outdoor radiant cooling/heating; outdoor spot cooling; rainwater collection & recycling; recycling and local material utilisation; green roof systems; double Low-E coated window glazing; natural ventilation; low-flow plumbing fixtures and water-saving sanitary fittings.
3. **Chongqing Tiandi, Chongqing**	Target to achieve LEED-Core & Shell certification Gold Level	Outdoor radiant cooling; water source heat pump; rainwater collection & recycling; recycling and local material utilisation; double Low-E coated window glazing; natural ventilation; low-flow plumbing fixtures and water-saving sanitary fittings.
4. **Taipingqiao 126/127, Shanghai**	Target to achieve LEED-Core & Shell certification Gold Level	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.
5. **KIC Plaza, Phase II, Shanghai**	Target to achieve LEED-Core & Shell certification 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.
6. **KIC Lot 5-5~8, Shanghai**	Target to achieve LEED-Core & Shell certification Gold Level	Double Low-E coated glazing; low emitting materials; low-flow plumbing fixtures and water-saving sanitary fittings; natural ventilation; daylight control & occupancy sensor; high performance chillers; heat recovery; rainwater recovery.
7. **KIC Livework, Phase II, Lot 7-7, 7-9, Shanghai**	Target to achieve 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.
8. **Rainbow City, Phase III, Lot 4, Shanghai**	Target to achieve 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.
9. **Rainbow City Lot 6, Shanghai**	Target to achieve Chinese Green Building 2 Star Certification	To be decided.

PEOPLE AND TALENT DEVELOPMENT

Staff are the Company's most valuable asset. We provide opportunities to attract talents with high potential, and to grow and develop our staff to their full competence.

Launching of Shui On Academy

In addition to continuous on-the-job training, systematic learning of Shui On's specific skills requirements enables our staff and associates to gain the necessary skills and knowledge for work improvement and career advancement.

The Shui On Academy was established in November with the objective of providing company-wide in-house learning opportunities on leadership, management and professional know-how. The Company has signed a Memorandum of Understanding (MoU) with a top business school in the United States – the Stephen M. Ross School of Business at the University of Michigan. The Academy and the Ross School will adopt innovative approaches to design a range of programmes catering to the specific needs and interests of our Shui On people.

Dynamic training and team-building programmes aimed to strengthen cohesion within the Company via nurturing the staff and fostering their communications

A total of 1,700 training hours were fulfilled in 2008 within the Company. The number of training hours and enrolments is expected to increase, with more programmes being made available by the Academy.

CEO Speaker's Series

Another new learning initiative was introduced during the year to enrich staff's understanding of the Company's development and business opportunities as well as relevant market knowledge. Two sessions themed "Keys to Being a Successful Property Developer" and "Strategic Development of SOL" were held to invite high-level external speakers, together with our Chairman, to share their views and experience on our business strategies and development in the current social and economic environment.

Grooming of Leadership

To identify high-calibre employees at an early stage and to prepare them with custom-made programmes to take up management and leadership responsibilities are among the objectives of the various trainee programmes for the sustainable growth of the Company.

Management Cadet (MC) Programme

This fast track development programme was established in 2002 for internal staff with at least two years of employment experience, focusing on their potential for taking up core management positions in an accelerated time frame. There were 12 management cadets as of 31 December 2008.

Management Trainee (MT) Programme

Established in 1997, this programme aims to prepare fresh graduates to take up management positions. Under mentorship guidance, the trainees go through a rigorous two-year training of personal development and management skills. The Company recruited 15 new members in 2008. As of 31 December, among the 61 management trainees 27 had successfully completed the programme.

The Graduate Trainee (GT) Programme

Aiming to develop talents to take up relevant professional positions in the Company, 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 6- to 12-month secondment to external profession institutions is also arranged where applicable. There were 36 graduate trainees as of 31 December, of which 13 were newly recruited in the year for our programmes in Shanghai, Chongqing and Wuhan. The Company is expecting the first batch of Commercial, Legal, HR and IT trainees to report for duty in 2009 as a functional stream under the GT Programme.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

EXECUTIVE DIRECTORS:

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

aged 61, 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") and Non-executive Chairman of China Central Properties Limited, respectively. He is a member of The Eleventh National Committee of the Chinese People's Political Consultative Conference, the Honorary Life President of the Business and Professionals Federation of Hong Kong, the President of the Shanghai-Hong Kong Council for the Promotion and Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Court Chairman of The Hong Kong University of Science and Technology, a Director of Great Eagle Holdings Limited and a Non-executive Director of Hang Seng Bank Limited.

He was awarded the Gold Bauhinia Star in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. He was made an Honorary Citizen of Shanghai in 1999. He was named Businessman of the Year by the Hong Kong Business Awards in 2001 and won the Director of the Year Award in the category of Listed Company Executive Directors from The Hong Kong Institute of Directors in 2002.

Mr. Vincent H. S. LO | Mr. Louis H. W. WONG | Mr. Aloysius T. S. LEE | The Honourable LEUNG Chun Ying

Mr. Louis H. W. WONG
aged 58, is Managing Director – Project Management and serves as an Executive Director of the Company since October 2008. He is responsible for all project management matters of the Company. Mr. Wong and another two Managing Directors also assist the Chairman in the strategic development of the Company, and are jointly responsible for the day-to-day running of the Company. 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 and a member of the Hong Kong Institution of Engineers.

Mr. Aloysius T. S. LEE
aged 60, is Managing Director – Commercial and serves as an Executive Director of the Company since October 2008. He joined our Company in April 2007 and is responsible for the branding, marketing and promotion, sales channel management, leasing strategy and execution, sales strategy and execution, commercial research, product planning and pricing strategy. Mr. Lee and another two Managing Directors also assist the Chairman in the strategic development of the Company, and are jointly responsible for the day-to-day running of the Company. Mr. Lee has over 27 years experience in the commercial field and has extensive working experience in the USA and Singapore. Mr. Lee has held senior management positions in Lotus International Limited, Pacific Century Cyber Works, Sun Cruises, Star Cruises, Morning Star Travel Services and Singapore Airlines. Mr. Lee was a board member of the Hong Kong Tourist Association and a member of the HKSAR Council for Sustainable Development Strategic Sub-committee. He is currently a member of the Chartered Management Institute and a fellow member of Chartered Institute of Marketing. Mr. Lee holds an MBA from The University of Hong Kong.

NON-EXECUTIVE DIRECTOR

The Honourable LEUNG Chun Ying, GBS, JP
aged 54, has served as an Independent Non-executive Director of our Company since May 2006 and was re-designated to 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, a member of the Honours Committee, 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 67, 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 and a Non-executive Director of A. P. Moller Maersk. He is also a member of the Mayor of Shanghai's International Business Leaders' Advisory Council, a participant in the China Development Forum and a member of the International Advisory Board to the Tsinghua University School of Economics and Management.

Dr. Edgar W. K. CHENG

aged 65, 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 37 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, and a member of the Education Commission, he is at present 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 and an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited. He is currently an Independent Non-executive Director of CNOOC Limited and an Independent Non-executive Director of American International Assurance Co. 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 60, 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

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Mr. David J. SHAW

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 and an Independent Non-executive Director of VTech Holdings Limited. He is also a Non-executive Director of other listed Li & Fung group companies including Convenience Retail Asia Limited and Integrated Distribution Services Group Limited.

Professor Gary C. BIDDLE
aged 57, has served as an Independent Non-executive Director of our Company since May 2006. Professor Biddle is Dean of the Faculty of Business and Economics and also PCCW Chair Professor of The University of Hong Kong. He was previously Associate Dean of the School of Business and Management at Hong Kong University of Science and Technology. Professor Biddle obtained his MBA and Ph.D. degrees from the University of Chicago. He served as Professor at the University of Chicago and the University of Washington before coming to Hong Kong in 1996. He is a member of the American Accounting Association, American Chamber of Commerce of Hong Kong, American Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants, Washington Society of Certified Public Accountants, and is past President and co-founding council member of the Hong Kong Academic Accounting Association. Professor Biddle is also an Independent Non-executive Director of Kingdee International Software Group Company Limited.

Dr. Roger L. McCARTHY
aged 60, has served as Independent Non-executive Director of our Company since May 2006.
Dr. McCarthy is Chairman Emeritus of Exponent, Inc. (NASDAQ symbol "EXPO"). He is 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.

Mr. David J. SHAW
aged 62, 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 certain companies within the HSBC Group, including HSBC Private Banking Holdings (Suisse) SA and The Bank of Bermuda Limited. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

Senior Management

Mr. Daniel Y. K. WAN
aged 50, is Managing Director and Chief Financial Officer responsible for all aspects relating to our finance & accounting, legal, company secretarial and IT affairs. He is also responsible for the day to day management of the Company together with the other two Managing Directors. Mr. Wan joined the Company in March 2009. Prior to joining our Company, Mr. Wan was the General Manager and Group Chief Financial Officer of The Bank of East Asia, Ltd. ("BEA"). He has worked for BEA for almost 20 years. 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, part-time member of the Central Policy Unit. Mr. Wan is currently a member of the Advisory Board of "CFO Asia" Magazine. Mr. Wan holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and an MBA 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. HUI Shing Sun
aged 53, is Director of Projects of our Company and is also an Executive Director of Shui On Development Limited. He is responsible for the overall management of projects in Shanghai. Mr. Hui joined the Shui On Group in 1982 and has over 26 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. Freddy C. K. LEE
aged 47, is Director – Wuhan and Foshan and is also an Executive Director of Shui On Development Limited. He is responsible for all aspects of our projects in Wuhan and Foshan. He joined the Shui On Group in 1986 and has over 17 years of working experience in construction management and seven years of working experience in property development in the PRC. He 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. 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. TANG Ka Wah
aged 49, 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 22 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 59, 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 53, is Director of Business Development of our Company and is responsible for identifying new sites and projects for development through acquisitions or joint ventures across the PRC. Mr. Chan is also Director – Dalian and is responsible for all aspects of our project in Dalian. He joined the Shui On Group in January 2004. Prior to joining our Company, Mr. Chan was Deputy Managing Director of Vision Century Corporation Limited (now known as 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 49, 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 45, 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 17 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 34, 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. He has 10 years of experience in retail, real estate and corporate finance where he focused on acquisitions and dispositions as well as restructuring businesses and assets in Greater China. 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 Entrepreneurs' Organisation – Hong Kong and Shanghai chapters. He is also a member of the Urban Land Institute and International Council of Shopping Centers (ICSC).

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries, associates and jointly controlled entity are set out in notes 47, 17 and 18 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 100.

An interim dividend of HK$0.07 per share was paid to shareholders on 30 October 2008.

The Directors now recommend the payment of a final dividend of HK$0.01 (2007: HK$0.10) per share to shareholders on the register of members on 4 June 2009, amounting to approximately RMB37 million.

In addition, the Directors also proposed a bonus issue of shares to the shareholders of the Company on the basis of one new share for every ten shares held.

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 2008 are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as of 31 December 2008 were RMB8,480 million (2007: RMB8,901 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 *(appointed on 15 October 2008)*
Mr. Aloysius T. S. LEE *(appointed on 15 October 2008)*
Mr. William T. ADDISON *(resigned on 15 October 2008)*

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 Article 102 of the Company's Articles of Association, Mr. Vincent H. S. LO, Sir John R. H. BOND, Dr. Edgar W. K. CHENG and Dr. Roger L. McCARTHY will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

As of 31 December 2008, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are 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 4)*	Approximate percentage of interests in the Company
Mr. Vincent H. S. LO	Other	2,281,250,225 *(Note 1)*	–	54.52%
	& Family	1,150,000 *(Note 2)*		
Mr. Louis H. W. WONG	Personal	1,802,000	5,714,285	0.17%
Mr. Aloysius T. S. LEE	Personal	470,000 *(Note 3)*	2,973,137	0.08%
Dr. William K. L. FUNG	Personal	3,700,000	–	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	–	500,000	0.01%
Dr. Roger L. McCARTHY	Personal	–	500,000	0.01%
Mr. David J. SHAW	Personal	–	500,000	0.01%

Notes:

(1) The shares of the Company are directly held by subsidiaries of Shui On Company Limited ("SOCL"), namely Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited ("NRI"). 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 NRI, 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. Under the SFO, Mr. Vincent H. S. LO is deemed to be interested in such shares.

(3) These shares are held jointly with Ms. Kalice L.T. KWONG, the spouse of Mr. Aloysius T. S. LEE.

(4) These represent interests of share options granted to the Directors under the share option scheme to subscribe for shares, 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	181,981,000 *(Note 1)*	56.63%
	& Family	312,000 *(Note 2)*	
Dr. William K. L. FUNG	Personal	682,000	0.21%

Note:

(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 shares are beneficially owned by Ms. Loletta CHU, the spouse of Mr. Vincent H. S. LO. Under the SFO, Mr. Vincent H. S. LO is deemed to be interested in such shares.

(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)*	0.49%

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 2008, 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 2008, the following shareholders (other than Directors or the chief executive of the Company) had an interest 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 interest	Total number of ordinary shares	Approximate percentage of shareholding
Ms. Loletta CHU	Family	2,281,250,225 *(Note 1)*	54.52%
	& Personal	1,150,000	
HSBC International Trustee Limited	Trustee	2,281,250,225 *(Note 2)*	54.50%
Bosrich Holdings (PTC) Inc.	Trustee	2,281,250,225 *(Note 2)*	54.50%
SOCL	Interest of Controlled Corporation	2,281,250,225 *(Note 2)*	54.50%
SOCAM	Interest of Controlled Corporation	396,071,631 *(Note 3)*	9.46%

Notes:

(1) Mr. Vincent H. S. LO is deemed to be interested in 2,281,250,225 shares under the SFO and hence Ms. Loletta CHU is also deemed to be interested in such shares mentioned in note (2) below.

(2) These shares are beneficially owned by SOCL through its subsidiaries comprising 940,000,000 shares, 945,178,594 shares and 396,071,631 shares held respectively by Shui On Properties Limited, Shui On Investment Company Limited and NRI. 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 Holding (PTC) Inc. and HSBC International Trustee Limited are deemed to be interested in such shares under the SFO.

(3) These shares are beneficially owned by NRI, 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 2008, 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 37 to the consolidated financial statements.

The following table sets out the movements 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 2008	Reclassifi-cations	Granted during the year	Lapsed during the year	At 31 December 2008	Period during which option outstanding at 31 December 2008 are exercisable
Directors								
Mr. Louis H. W. WONG	20 June 2007	7.00	–	5,714,285	–	–	5,714,285	20 June 2009 – 19 June 2016
Mr. Aloysius T. S. LEE	1 November 2007	11.78	–	2,973,137	–	–	2,973,137	1 November 2009 – 31 October 2016
Mr. William T. ADDISON	20 June 2007	7.00	5,000,000	–	–	(5,000,000)	–	20 June 2009 – 19 June 2016
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
Dr. Mr. David J. SHAW	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Sub-total			**8,000,000**	**8,687,422**	**–**	**(5,000,000)**	**11,687,422**	
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	128,166,798	(5,714,285)	–	(13,919,254)	108,533,259	20 June 2009 – 19 June 2016
	1 August 2007	8.18	1,435,193	–	–	(64,180)	1,371,013	1 August 2009 – 31 July 2016
	2 October 2007	10.00	5,200,000	–	–	(355,000)	4,845,000	2 October 2009 – 1 October 2016
	1 November 2007	11.78	4,505,498	(2,973,137)	–	(233,444)	1,298,917	1 November 2009 – 30 October 2016
	3 December 2007	9.88	1,601,700	–	–	(101,212)	1,500,488	3 December 2009 – 2 December 2016
	2 January 2008	8.97	–	–	3,725,183	(275,917)	3,449,266	2 January 2010 – 1 January 2017
	1 February 2008	8.05	–	–	2,419,238	(319,872)	2,099,366	1 February 2010 – 31 January 2017
	3 March 2008	7.68	–	–	813,794	(39,062)	774,732	3 March 2010 – 2 March 2017
	2 May 2008	7.93	–	–	9,722,499	(1,926,225)	7,796,274	2 May 2010 – 1 May 2017
	2 June 2008	7.34	–	–	15,905,938	(68,119)	15,837,819	2 June 2010 – 1 June 2017
	2 July 2008	6.46	–	–	1,784,027	–	1,784,027	2 July 2010 – 1 July 2017
	3 November 2008	1.60	–	–	100,250,000	–	100,250,000	3 November 2010 – 2 November 2017
Sub-total			**140,909,189**	**(8,687,422)**	**134,620,679**	**(17,302,285)**	**249,540,161**	
Total			**150,409,189**	**–**	**134,620,679**	**(22,302,285)**	**262,727,583**	

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 period.

Details of the share options granted during the year are as follows:

Date of grant	Exercise price	Closing share price immediately before the date of grant	Weighted average estimated fair value at date of grant calculated using the Binominal model	Number of share options granted
2 January 2008	8.97	9.10	3.35	3,725,183
1 February 2008	8.05	8.12	2.93	2,419,238
3 March 2008	7.68	7.58	2.80	813,794
2 May 2008	7.93	7.75	2.91	9,722,499
2 June 2008	7.34	7.30	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
Total				**134,620,679**

Summary of the Share Option Scheme are 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 organization 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 which 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 exceeded. As of 31 December 2008, 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 tranch to 1 year for the seventh tranch 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 2008.

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 58 to 67.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 43 to the 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. These connected transactions are subject to the reporting, announcement and/or independent shareholders' approval requirements of Chapter 14A of the Listing Rules. At the time of application for listing of the Company's shares on the Stock Exchange, waivers were granted to the Company from strict compliance with the announcement and independent shareholders' approval requirements in respect of certain connected transactions.

(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 70%-owned subsidiary, with advisory services in respect of the Shanghai Knowledge and Innovation Community Project (the "Shanghai KIC project"), including assisting with obtaining the relevant regulatory and government approvals and permits as well as the marketing and administrative aspects of the Shanghai KIC Project.

SYKIZ owns 30% of KIC and is a substantial shareholder of KIC. Therefore, SYKIZ is a connected person of the Company under the Listing Rules.

Pursuant to a supplemental agreement signed on 30 May 2006, the project management services agreement will terminate on 31 December 2008, unless terminated with 60 days prior written notice by either party. On 31 December 2008, SYKIZ and KIC entered into the second supplemental agreement to extend the term from 31 December 2008 to 31 December 2011 with a provision of service fee adjustment in accordance with the parties' shareholding. Save for the above, all other terms of the service agreement remain unchanged.

The total service fees payable by us 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 service 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.

Each of the percentage ratios (other than the profit ratios), where applicable, in relation to these transactions, on an annual basis, is expected to be less than 2.5% under Rule 14A.34(1) of the Listing Rules. Accordingly, such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The Company expects that the total amount payable by KIC to SYKIZ for advisory services for the three years ending 31 December 2011 would not exceed RMB6 million, RMB9 million and RMB9 million respectively. An aggregate total amount of RMB4 million was paid 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 subsidiaries of SOCL. As SOCL is a controlling 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 80%-owned by SOCL, for various units in Shui On Plaza at market rent for a term ending on 31 December 2008, subject to renewal. These properties are used for offices and a showroom. The Group has also entered into a property leasing agreement dated 8 May 2005 and a supplemental agreement dated 12 April 2006 with Shanghai Ruichen Property Co. Ltd. (also known as Shanghai Rui Hong Xin Cheng Phase I), which was previously wholly-owned by SOCL, to lease a site office at Rui Hong Xin Cheng in Shanghai at market rent for a term ending on 31 December 2008. The lease arrangement with Shanghai Ruichen Property Co. Ltd was no longer a connected transaction since the acquisition of Shanghai Rui Hong Xin Cheng Phase I by the Group on 26 February 2008 as mentioned in item 7 below.

In Hong Kong, the Group 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 market rent for a term ended on 9 October 2006 and ended on 31 May 2007, respectively, with an option to extend to 31 December 2008 (other than for the leasing of the 3rd floor of Shui On Centre) at the then prevailing market rent. These properties are used for offices and a showroom.The Company entered into a framework lease agreement on 30 May 2006 (the "Original Agreement") with SOCL expiring on 31 December 2008, subject to renewal, pursuant to which it may lease from SOCL and its subsidiaries (except SOCAM and its subsidiaries) ("Shui On Group") such other properties as are necessary for its future business needs on normal commercial terms and at the prevailing market rent.

As a result of the fast and steady growth in PRC, more office spaces are required for the continuing development of the Group. On 4 September 2007, the Company has entered into a supplemental agreement with SOCL to extend the term of the Original Agreement so that it shall end on 31 December 2009 instead of 31 December 2008. The maximum aggregate annual rent payable by the Group to the Shui On Group for the year ended 31 December 2008 has been revised from RMB25 million to RMB38 million for the leasing, sub-leasing and licensing of the properties in Shanghai. The Company also set the maximum aggregate annual rent payable by the Group to the Shui On Group for the year ending 31 December 2009 at RMB48 million for the leasing, sub-leasing and licensing of the properties in Shanghai. In addition, the Company expects 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 two years ending 31 December 2009 will not exceed HK$4.4 million and HK$5.2 million respectively.

An aggregate amount of RMB28 million for the properties in Shanghai and HK$4 million for the properties in Hong Kong respectively was paid 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 has in the past entered into a number of construction contracts with Shui On Construction Co., Ltd. ("SSOC", formerly known as Shanghai Shui On Construction Co., Ltd.) 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 contracts, building decoration works, mechanical and electrical system materials procurement and building materials procurement. Mr. Vincent H. S. LO, as the controlling shareholder of SOL, also holds more than 30% shareholding in SOCAM. Thus, SOCAM is a connected person of SOL. 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 prevailing market rates.

The Group expects that SSOC will continue to provide construction services to it, including pursuant to successful bids for construction contracts put out to tender by the Group. In this connection, the Company entered into a construction services framework agreement with SSOC on 4 June 2006 for a term expiring on 31 December 2008, subject to renewal, details of which were described in the Prospectus of the Company dated 20 September 2006. On 15 December 2008, SSOC and SOL entered into a supplemental agreement on 15 December 2008 to extend the term for three financial years to 31 December 2011.

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

An aggregate amount of RMB248 million was paid or is payable to SSOC for all construction services during the year under review.

(4) Provision of management services by Shui On Development Limited ("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 SOL, 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 as to 48% by SOL and 22% by SOCAM and thus, a connected person of SOL. In addition, the companies constituting the Dalian Group are subsidiaries of SOL for the purpose of the Listing Rules, and Yida is a connected person of SOL by virtue of being the substantial shareholders of Richcoast. Mr. Vincent H. S. LO, as the controlling shareholder of SOL, also holds more than 30% shareholding in SOCAM. Thus, SOCAM and its subsidiaries including without limitation to Max Clear are connected persons of SOL.

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 three years ending 31 December 2010, will not exceed RMB4,421,000, RMB12,660,000 and RMB12,660,000, respectively, while the annual caps for the payment by the Dalian Group to Max Clear in respect of the management fees for the three years ending 31 December 2010, will not exceed RMB6,630,000, RMB19,000,000 and RMB19,000,000, respectively and the annual caps for the payment by the Dalian Group to Yida in respect of the management fees for the three years ending 31 December 2010, will not exceed RMB4,421,000, RMB12,660,000 and RMB12,660,000, respectively.

An aggregate amount of RMB454,000, RMB682,000 and RMB454,000 was paid or is payable to Shanghai SOD, Max Clear and Yida respectively for management fees during the year under review.

(5) Provision of construction services by Yida and its subsidiaries ("Yida Group") for DALIAN TIANDI.software hub (formerly known as Dalian Software Park Phase II)

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.software hub for a term expiring no later than 31 December 2010.

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

The annual caps for the payment made or to be made by the Dalian Group to Yida for the three years ending 31 December 2010, are RMB110 million, RMB91 million and RMB91 million, respectively.

An aggregate amount of RMB21 million was paid or is payable to Yida Group for construction fees during the year under review.

(6) Further injection into the joint venture for the development of DALIAN TIANDI.software hub

On 15 January 2008, Innovate Zone Group Limited ("Innovate Zone"), a wholly-owned subsidiary of SOL, Main Zone Group Limited ("Main Zone"), a wholly-owned subsidiary of SOCAM, and Yida Group agreed to inject further cash by way of capital injection and shareholders' loans into the Dalian Group in the aggregate amount equivalent to approximately RMB910 million for the development of Dalian project.

Yida, through its wholly-owned subsidiary, is a substantial shareholder of Richcoast, a subsidiary of SOL for the purpose of the Listing Rules. Therefore, Yida and its subsidiaries are connected persons of SOL. Mr. Vincent H. S. LO, as the controlling shareholder of SOL, also holds more than 30% shareholding in SOCAM. Thus, SOCAM and its subsidiaries including without limitation to Main Zone are connected persons of SOL.

The further injection was contributed by Innovate Zone, Main Zone and Yida Group in proportion to their respective attributable interests in the Dalian Group, i.e. effectively 48% by Innovate Zone, 22% by Main Zone and 30% by Yida Group and accordingly the respective interests in the Dalian Group remain unchanged after the further injection.

An amount of RMB437 million was injected by Innovate Zone into Dalian Group to make such further injection during the year under review.

(7) Acquisition of Shanghai Rui Hong Xin Cheng Phase I

On 26 February 2008, Foresight Profits Limited ("Foresight") which was at that time a wholly-owned subsidiary of SOL, entered into an agreement with Smithton Limited ("Smithton"), an indirect wholly-owned subsidiary of SOCL, pursuant to which Foresight acquired from Smithton its entire interest in Silomax Limited ("Silomax", the indirect owner of the project company holding Shanghai Rui Hong Xin Cheng Phase I), being 100% of the issued share capital of Silomax and the loan in the amount of approximately HKD147 million for a consideration of approximately HKD152.7 million. After the closing of the transaction, Silomax became a subsidiary of the Company.

As SOCL is a controlling shareholder of SOL, SOCL and each of the subsidiaries of SOCL including without limitation to Smithton are connected persons of the Company.

(8) Further funding or financial assistance to the joint venture for the development of DALIAN TIANDI.software hub

On 28 April 2008, Innovate Zone, a wholly-owned subsidiary of SOL, Main Zone, a wholly-owned subsidiary of SOCAM, Many Gain, a member of Yida Group, and Richcoast entered into the offshore supplemental agreement, pursuant to which Innovate Zone, Main Zone and Many Gain agreed to provide further funding or financial assistance to the Dalian Group in an aggregate amount up to the equivalent of RMB1,833 million for the development of the Dalian project.

Main Zone is a wholly-owned subsidiary of SOCAM and thus, a connected person of SOL.

Such additional funding was provided in proportion to their respective interests in Richcoast, i.e. 61.54% by Innovate Zone, 28.2% by Main Zone and 10.26% by Many Gain, while the financial assistance was provided in proportion to their respective attributable interests in the Dalian Group, i.e. effectively 48% by Innovate Zone, 22% by Main Zone and 30% by Yida Group.

On 28 April 2008, the four indirect Hong Kong wholly-owned subsidiaries of Richcoast, Yida, being the shareholders of the PRC joint venture companies in relation to Dalian project, entered into the Onshore Shareholders Memorandum, pursuant to which Richcoast and its non-PRC subsidiaries (the "Dalian Offshore Group") and the Yida Group agreed to provide funding or financial assistance to the aforesaid PRC joint venture companies in an aggregate amount up to RMB2,350 million in proportion to their respective interests in them, i.e. 78% by the Dalian Offshore Group and 22% by the Yida Group.

An amount of RMB1,007 million was made by Innovate Zone for such funding or financial assistance during the year under review.

(9) Provision of site formation services by Dalian Yida Building Engineering Co., Ltd. ("Dalian Yida") to Dalian Software Park Shui On Kaifa Co., Ltd. ("Dalian Shui On")

On 13 May 2008, Dalian Shui On, a subsidiary of the Company under the Listing Rules, entered into a site formation agreement with Dalian Yida, a member of the Yida Group, for a contract sum of approximately RMB7.5 million, pursuant to which Dalian Yida agreed to perform site formation works for Lots D10, D14 and D22 of Phase I of the land area constituting part of DALIAN TIANDI.software hub, which include clearance of the construction site, removal of the construction garbage, and setting up drainage system.

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

(10) Transactions with Winnington Capital Limited ("WCL") in respect of Shanghai Rui Hong Xin Cheng project

(i) Disposal of 25% equity interest in Foresight Profits Limited ("Foresight") and granting of an option for the disposal of additional 24% equity interest in Foresight

On 19 May 2008, Shui On Development (Holding) Limited ("SOD"), a wholly-owned subsidiary of the Company, entered into an agreement with WCL pursuant to which WCL acquired from SOD a 25% equity interest ("RHXC Disposal") in Foresight, which was at that time a wholly-owned subsidiary of the Company, for a total consideration of RMB1,125 million, and also an irrevocable call option ("RHXC Call Option") which may be exercised from 1 December 2008 to 31 December 2008 to acquire a further 24% equity interest in Foresight at an exercise price of RMB1,134 million plus an amount (if any) representing the difference in any shareholder contribution made between the closing of the RHXC Disposal and the completion of the RHXC Call Option. The RHXC Call Option was subsequently extended from 31 December 2008 to 30 April 2009.

WCL was then a connected person of the Company by virtue of its 19.8% interest in Score High Limited, which is a subsidiary of the Company.

(ii) Provision of guarantee by the Company and SOD for the benefit of Foresight and its subsidiaries ("Foresight Group")

On 20 June 2006, the Company and SOD entered into a guarantee with Standard Chartered Bank Shanghai Branch as agent pursuant to which the Company and SOD agreed to provide a joint and several guarantee to facilitate the making of loans of up to the equivalent of approximately RMB1,199 million by a consortium of banks to the Foresight Group. The Company and SOD agreed to continue the guarantee following the completion of the disposal of 25% equity interest and the grant of an option for the disposal of additional 24% equity interest in Foresight.

At the time of making the relevant announcement of the Company dated 19 May 2008, the provision of the guarantee by the Company and SOD to the Foresight Group constitutes a possible connected transaction of the Company.

(iii) Provision of shareholders' loans to Foresight

SOD, a wholly-owned subsidiary of the Company, and WCL may be required in accordance with the shareholders agreement dated 19 May 2008 to provide shareholders' loans to Foresight in an aggregate amount up to the equivalent of RMB594 million in proportion to their respective equity interest in Foresight to finance the relocation costs associated with Shanghai Rui Hong Xin Cheng project.

At the time of making the relevant announcement of the Company dated 19 May 2008, the provision of shareholders' loans from SOD to Foresight constitutes a possible connected transaction of the Company.

(11) Connected transactions with WCL in respect of Rightchina Limited ("Rightchina")

(i) Disposal of 25% equity interest in Rightchina and granting of an option for the acquisition by WCL or its affiliates of an additional 25% equity interest in Rightchina and the assignment to WCL or its affiliate of the additional shareholders' loans

On 21 August 2008, Score High Limited ("Score High"), a 80.2%-owned subsidiary of the Company, entered into the sale and purchase Agreement with WCL pursuant to which WCL acquired from Score High a 25% equity interest ("SHR Disposal") in Rightchina, which was then a wholly-owned subsidiary of Score High, for a total consideration of RMB1,021 million, Score High also granted an irrevocable call option to WCL ("SHR Call Option") for the acquisition by WCL or its affiliate of a further 25% equity interest ("Option Shares") in Rightchina and the assignment of the additional shareholders' loans made by Score High to Rightchina between the date of closing of SHR Disposal and the closing date of SHR Call Option attributable to the Option Shares at an exercise price of approximately RMB1,072 million plus an amount equivalent to the aforesaid additional shareholders' loans. The SHR Call Option period was subsequently extended from 31 December 2008 to 30 April 2009.

WCL was then a connected person of the Company by virtue of its 19.8% interest in Score High, which is a subsidiary of the Company.

(ii) 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 timing of making 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. Therefore, the provision of guarantees and the receipt of loan guarantee fees would constitute possible continuing connected transactions of the Company. However, Rightchina has subsequently become a connected person of the Company pursuant to 14A.11(5) of the Listing Rules. Accordingly, the provision of guarantees and the receipt of loan guarantee fees have constituted continuing connected transactions of the Company.

The annual caps for the provision of guarantee by the Group during the three financial years ending 31 December 2010 are set at not exceeding RMB200 million, 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 three financial years ending 31 December 2010 are set at not exceeding RMB4 million, 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.

(iii) 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 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 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.

At the time of making 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. Therefore, the provision of guarantees and the receipt of loan guarantee fees would constitute possible continuing connected transactions of the Company. Given that Rightchina has subsequently become a connected person of the Company pursuant to 14A.11(5) of the Listing Rules, the provision of any shareholders' loans has constituted continuing connected transaction of the Company. No additional shareholders' loan was provided from such date up to 31 December 2008.

At the time of making the relevant announcement, the annual caps for provision of additional shareholders' loans during the three financial years ending 31 December 2010 are set at not exceeding RMB745 million, RMB900 million and RMB1,000 million, respectively.

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 (5) and are of the opinion that the continuing connected transactions as stated in points no. (1) to (5) 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. (11)(ii) and (11)(iii).

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 (5) 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 announcement or the Company's prospectus dated 20 September 2006.

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 forthcoming annual general meeting 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, its ultimate holding company or any of the subsidiaries of the Company or its ultimate holding 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 2008, the following Director or his associates are 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

The Company has on 28 November 2006 entered into a guarantee (the "Guarantee") to guarantee the performance of its subsidiary, Chongqing Shui On Tiandi Property Development Co., Ltd. ("Chongqing Shui On"), 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 of not less than 70% of Chongqing Shui On. 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 38 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 2008.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB19 million (2007: RMB13 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 2008, payments to our single largest construction contractor, Shui On Construction Co., Ltd., accounted for approximately 7% of our total payments for construction services. Details of the transactions with Shui On Construction Co., Ltd. are set out under the caption Connected Transactions point (3) "Provision of construction services by SOCAM to the Group" in page 90. Our five largest construction contractors accounted for approximately 23% of our total payments for construction services. Except for the construction payments to Shui On Construction Co., Ltd., 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 annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Vincent H. S. LO
Chairman

16 April 2009

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 100 to 166, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation 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 2008 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
16 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'million	2007 RMB'million
Turnover	5	**3,556**	4,570
Cost of sales		**(1,524)**	(1,885)
Gross profit		**2,032**	2,685
Other income	6	**342**	269
Selling and marketing expenses		**(134)**	(114)
General and administrative expenses		**(697)**	(556)
Operating profit	7	**1,543**	2,284
Increase in fair value of investment properties	13	**382**	577
Gain on acquisition of additional equity interests in subsidiaries	35	**–**	80
Gains on disposal and partial disposals of equity interests in subsidiaries	36	**1,883**	845
Share of results of associates		**44**	26
Finance costs, net of exchange gain	8	**(133)**	(125)
Profit before taxation		**3,719**	3,687
Taxation	9	**(977)**	(820)
Profit for the year		**2,742**	2,867
Attributable to:			
Shareholders of the Company		**2,480**	2,462
Minority interests		**262**	405
		2,742	2,867
Dividends	11		
– Interim dividend, paid		**257**	203
– Final dividend, proposed		**37**	373
		294	576
Earnings per share	12		
– Basic		**RMB0.59**	RMB0.59
– Diluted		**RMB0.59**	RMB0.59

CONSOLIDATED BALANCE SHEET

As of 31 December 2008

	Notes	2008 RMB'million	2007 RMB'million
Non-Current Assets			
Investment properties	13	**8,466**	7,994
Property, plant and equipment	14	**343**	260
Prepaid lease payments	15	**6,290**	4,325
Properties under development	16	**2,411**	1,734
Interests in associates	17	**296**	85
Loans to associates	17	**1,331**	981
Accounts receivable	19	**329**	312
Pledged bank deposits	20	**694**	237
Defined benefit assets	38	**4**	6
Deferred tax assets	33	**113**	89
		20,277	16,023
Current Assets			
Properties under development for sale	16	**7,786**	6,281
Properties held for sale	21	**2,029**	325
Accounts receivable, deposits and prepayments	19	**1,170**	3,477
Loans receivable	22	**414**	240
Amounts due from associates	17	**450**	12
Amounts due from related parties	23	**62**	44
Amount due from minority shareholders of subsidiaries	24	**176**	6
Early redemption rights on notes	25	**–**	11
Pledged bank deposits	20	**1,015**	617
Bank balances and cash	20	**1,671**	2,843
		14,773	13,856
Current Liabilities			
Accounts payable, deposits received and accrued charges	26	**2,082**	1,768
Amounts due to related parties	23	**33**	39
Amounts due to minority shareholders of subsidiaries	24	**758**	876
Loan from a minority shareholder of a subsidiary	31	**199**	100
Tax liabilities		**872**	1,541
Notes – due within one year	25	**–**	2,667
Bank borrowings – due within one year	27	**1,953**	1,514
Derivative financial instruments designated as hedging instruments	28	**–**	323
		5,897	8,828
Net Current Assets		**8,876**	5,028
Total Assets Less Current Liabilities		**29,153**	21,051

	Notes	2008 RMB'million	2007 RMB'million
Capital and Reserves			
Share capital	29	**84**	84
Reserves		**17,724**	15,794
Equity attributable to shareholders of the Company		**17,808**	15,878
Minority interests		**1,356**	828
Total Equity		**19,164**	16,706
Non-Current Liabilities			
Bank borrowings – due after one year	27	**6,245**	2,891
Derivative financial instruments designated as hedging instruments	28	**256**	–
Loans from minority shareholders of subsidiaries	31	**670**	93
Loan from a director	32	**567**	–
Deferred tax liabilities	33	**2,251**	1,361
		9,989	4,345
		29,153	21,051

The consolidated financial statements on pages 100 to 166 were approved and authorised for issue by the Board of Directors on 16 April 2009 and are signed on its behalf by:

Vincent H.S. LO
DIRECTOR

Louis H. W. WONG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to shareholders of the Company											
	Share capital RMB' million	Share premium RMB' million	Merger reserve RMB' million (note 30(a))	Special reserve RMB' million (note 30(b))	Share option reserve RMB' million	Exchange reserve RMB' million	Hedge reserve RMB' million	Other reserves RMB' million (note 30(c))	Retained earnings RMB' million	Total RMB' million	Minority interests RMB' million	Total RMB' million
At 1 January 2007	84	10,684	122	(401)	–	69	(5)	603	2,796	13,952	1,213	15,165
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(30)	–	–	–	(30)	(9)	(39)
Fair value adjustments on the derivative financial instruments designated as cash flow hedge in respect of cross currency interest rate swap (note 28(a))	–	–	–	–	–	–	(316)	–	–	(316)	–	(316)
Net expense recognised directly in equity	–	–	–	–	–	(30)	(316)	–	–	(346)	(9)	(355)
Profit for the year	–	–	–	–	–	–	–	–	2,462	2,462	405	2,867
Fair value adjustments on cash flow hedge recognised in consolidated income statement (note 28(a))	–	–	–	–	–	–	237	–	–	237	–	237
Total recognised (expense) income for the year	–	–	–	–	–	(30)	(79)	–	2,462	2,353	396	2,749
Recognition of equity-settled share-based payment expenses	–	–	–	–	36	–	–	–	–	36	–	36
Issue of shares on exercise of share options	–	5	–	–	(1)	–	–	–	–	4	–	4
Release upon partial disposal of equity interests in subsidiaries	–	–	–	–	–	1	–	–	–	1	15	16
Capital injection	–	–	–	–	–	–	–	–	–	–	11	11
Acquisition of additional interests in subsidiaries	–	–	–	(22)	–	–	–	–	–	(22)	(807)	(829)
Release of special reserve upon disposal of the related assets	–	–	–	12	–	–	–	–	–	12	–	12
Total dividends of HK$0.11 paid, comprising 2006 final dividend of HK$0.06 per share and 2007 interim dividend of HK$0.05 per share (note 11)	–	–	–	–	–	–	–	–	(458)	(458)	–	(458)
At 31 December 2007	84	10,689	122	(411)	35	40	(84)	603	4,800	15,878	828	16,706
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Fair value adjustments on the derivative financial instruments designated as cash flow hedge in respect of cross currency interest rate swap (note 28(a))	**–**	**–**	**–**	**–**	**–**	**–**	**(158)**	**–**	**–**	**(158)**	**–**	**(158)**
Fair value adjustments on the derivative financial instruments designated as cash flow hedge in respect of interest rate swap (note 28(b))	**–**	**–**	**–**	**–**	**–**	**–**	**(136)**	**–**	**–**	**(136)**	**–**	**(136)**
Net expense recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**(2)**	**(294)**	**–**	**–**	**(296)**	**–**	**(296)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,480**	**2,480**	**262**	**2,742**
Fair value adjustments on cash flow hedge recognised in consolidated income statement (note 28(a))	**–**	**–**	**–**	**–**	**–**	**–**	**104**	**–**	**–**	**104**	**–**	**104**
Residual balance of hedge reserve in relation to cross currency interest rate swap recognised in consolidated income statement upon the maturity of the notes (note 28(a))	**–**	**–**	**–**	**–**	**–**	**–**	**138**	**–**	**–**	**138**	**–**	**138**
Total recognised (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**(2)**	**(52)**	**–**	**2,480**	**2,426**	**262**	**2,688**
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	**–**	**–**	**–**	**63**	**–**	**–**	**–**	**–**	**–**	**63**	**–**	**63**
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	**84**	**10,689**	**122**	**(331)**	**89**	**38**	**(136)**	**603**	**6,650**	**17,808**	**1,356**	**19,164**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 RMB'million	2007 RMB'million
OPERATING ACTIVITIES		
Profit before taxation	**3,719**	3,687
Adjustments for:		
Allowance for bad and doubtful debts	**–**	7
Depreciation of property, plant and equipment	**51**	28
Release of prepaid lease payments charged to consolidated income statement	**1**	1
Net foreign exchange (gain) loss	**(9)**	55
Share of results of associates	**(44)**	(26)
Gains on disposal and partial disposals of equity interests in subsidiaries	**(1,883)**	(845)
Gain on acquisition of additional equity interests in subsidiaries	**–**	(80)
Finance costs, net of exchange gain	**133**	125
Loss on disposal of property, plant and equipment	**14**	1
Interest income	**(227)**	(208)
Increase in fair value of investment properties	**(382)**	(577)
Decrease (increase) in defined benefit assets	**2**	(1)
Equity-settled share-based payment expenses	**54**	36
Release of special reserve upon disposal of the related assets	**63**	12
Operating cash flows before movements in working capital	**1,492**	2,215
Decrease (increase) in accounts receivable, deposits and prepayments	**1,552**	(1,476)
Decrease in properties held for sale	**1,292**	1,765
Decrease in amounts due from related parties	**5**	56
Decrease in amounts due to related parties	**(28)**	(34)
Increase in accounts payable, deposits received and accrued charges	**310**	215
Cash generated from operations	**4,623**	2,741
Tax paid	**(780)**	(312)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**3,843**	2,429

	Notes	2008 RMB'million	2007 RMB'million
INVESTING ACTIVITIES			
Interest received		**123**	187
Purchase of property, plant and equipment		**(56)**	(44)
Proceeds from disposal of property, plant and equipment		**3**	2
Additions to investment properties		**(8)**	(9)
Additions to prepaid lease payments		**(2,105)**	(1,100)
Additions to properties under development		**(4,489)**	(2,222)
Loans to associates		**(428)**	(1,037)
Increase in amounts due from associates		**(438)**	(10)
Acquisition of subsidiaries	34	**(100)**	–
Acquisition of additional interests in subsidiaries	35	**–**	(870)
Proceeds from partial disposals of equity interests in subsidiaries	36	**2,905**	917
(Increase) decrease in pledged bank deposits		**(855)**	348
Increase in loans receivable		**(174)**	(13)
NET CASH USED IN INVESTING ACTIVITIES		**(5,622)**	(3,851)
FINANCING ACTIVITIES			
Net proceeds on issuance of shares		**–**	4
Advance from (repayment to) minority shareholders of subsidiaries		**382**	(16)
Capital injected by minority shareholders of subsidiaries		**20**	11
New bank loans raised		**7,283**	2,989
Increase in loan from a director		**567**	–
Repayment of bank loans		**(3,209)**	(2,183)
Redemption of notes		**(2,562)**	–
Settlement of derivative financial instruments designed as cash flow hedge		**(347)**	–
Interest and bank charges paid		**(833)**	(398)
Payment of dividends		**(630)**	(458)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**671**	(51)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,108)**	(1,473)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,843**	4,452
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(64)**	(136)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1,671**	2,843
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**1,671**	2,843

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 directors of the Company consider that its parent and ultimate holding company is Shui On Company Limited, a private limited liability company incorporated in the British Virgin Islands. 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 47. 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 International Financial Reporting Standard ("IFRS"), International Accounting Standard ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referred to as "new IFRSs") issued by the International Accounting Standards Board, which are effective for the Group's financial year beginning 1 January 2008.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

IFRSs (Amendments)	Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 1 (Revised)	Presentation of Financial Statements[3]
IAS 23 (Revised)	Borrowing Costs[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
IAS 39 (Amendment)	Eligible Hedged Items[4]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
IFRS 3 (Revised)	Business Combinations[4]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
IFRS 8	Operating Segments[3]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[5]
IFRIC 13	Customer Loyalty Programmes[6]
IFRIC 15	Agreements for the Construction of Real Estate[3]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[7]
IFRIC 17	Distributions of Non-cash Assets to Owners[4]
IFRIC 18	Transfer of Assets from Customers[8]

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

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 July 2008
7 Effective for annual periods beginning on or after 1 October 2008
8 Effective for transfers on or after 1 July 2009

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. IFRIC 15 will affect the timing of the revenue recognition on the sales of properties. The application of the amendment to IAS 40 Investment Property included in improvements to IFRSs will affect the accounting for property under construction or development for future use as an investment property of the Group. The amendment to IAS 40 brings such property within the scope of IAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group's accounting policy. Such property is currently accounted for at cost less impairment in accordance with IAS 16 Property, Plant and Equipment. The amendment is to be applied prospectively and is effective for the Group's financial year beginning 1 January 2009.

The directors of the Company anticipate that the application of other new standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

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 International Accounting Standards Board. 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 principal 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 or up to the effective date of disposal, as appropriate.

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 previous balance sheet date or when they first came under common control, whichever is shorter.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an enterprise 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 balance sheet. 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 by the subsidiary of the assets to which it relates.

At the date of acquisition, the Group reassesses the identification and measurement of the enterprise'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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 of 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.

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

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes or for investment potential, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development which are intended to be held for own use or their investment potential are carried at cost, less any identified impairment losses and are shown as non-current assets.

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 balance sheet 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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 balance sheet 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.

Impairment

At each balance sheet date, 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet 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.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date 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 minority 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 each balance sheet date 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 becoming 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables (Continued)

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.

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.

Other financial liabilities

The Group's other financial liabilities (including accounts payable, amounts due to related parties, amounts due to minority shareholders of subsidiaries, loans from minority 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 a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments and hedging (Continued)

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".

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 arising on 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the 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 equity in the consolidated financial statements. 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 differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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 balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

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 balance sheet date. 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 each balance sheet date, 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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets 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 balance sheet 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 awarded in recognition of the Group's past development and which have no future related costs are recognised as income 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.

Income from properties developed for sale, where there is no pre-sales arrangement prior to completion of the development, is recognised on the execution of a binding sales agreement entered into subsequent to the completion of the development.

Income from properties under pre-sale arrangement prior to completion of the development is recognised on the execution of a binding sales agreement or when the relevant completion certificates are issued by the respective government authorities, whichever is the later. Payments received from the purchasers prior to this stage are recorded as customers' deposits received on sale of properties and presented as current liabilities.

Rental income from operating leases is recognised 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 upon the provision of the services.

Property management, project management and service fee are recognised on an appropriate basis over the relevant period in which the services are rendered.

Sales of goods are recognised when significant risks and rewards of ownership of goods are transferred to the buyers, generally when goods are delivered and title has passed.

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 through 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 balance sheet date. 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 condition. 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:

	2008 RMB'million	2007 RMB'million
Property development:		
Property sales	**2,939**	4,085
Property investment:		
Rental income received from investment properties	**497**	401
Income from serviced apartments	**25**	25
Property management fees	**32**	19
Rental related income	**39**	29
	593	474
Others	**24**	11
	3,556	4,570

Business segment

For management purposes, the Group's business activities are broadly categorised under two major business segments – property development and property investment. These segments are the bases on which the Group reports its primary segment information.

Principal activities are as follows:

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

5. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Business segment (Continued)

For the year ended 31 December 2008

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment turnover	2,939	593	24	3,556
Results				
Segment results	1,331	824	14	2,169
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				3,719
Taxation				(977)
Profit for the year				2,742
Other information				
Capital additions	13	148	11	172
Development costs for properties under development and prepaid lease payment	–	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
Equity-settled share-based payment expenses	54	–	–	54
Balance sheet				
Assets				
Segment assets	20,357	9,298	67	29,722
Interests in associates				296
Loans to associates				1,331
Amounts due from associates				450
Unallocated corporate assets				3,251
Consolidated total assets				35,050
Liabilities				
Segment liabilities	(2,577)	(263)	(1)	(2,841)
Unallocated corporate liabilities				(13,045)
Consolidated total liabilities				(15,886)

5. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Business segment (Continued)

For the year ended 31 December 2007

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment turnover	4,085	474	11	4,570
Results				
Segment results	2,151	915	9	3,075
Interest income				208
Gain on acquisition of additional equity interests in subsidiaries				80
Gains on disposal and partial disposals of equity interests in subsidiaries				845
Share of results of associates				26
Finance costs, net of exchange gain				(125)
Net unallocated expenses				(422)
Profit before taxation				3,687
Taxation				(820)
Profit for the year				2,867
Other information				
Allowance for bad and doubtful debts	–	7	–	7
Capital additions	9	29	15	53
Development costs for properties under development and prepaid lease payments	–	1,793	–	1,793
Development costs for properties under development held for sale	1,887	–	–	1,887
Depreciation of property, plant and equipment	7	10	11	28
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Loss on disposal of property, plant and equipment	–	1	–	1
Equity-settled share-based payment expenses	36	–	–	36
Balance sheet				
Assets				
Segment assets	15,394	8,246	78	23,718
Interests in associates				85
Loans to associates				981
Amount due from an associate				12
Unallocated corporate assets				5,083
Consolidated total assets				29,879
Liabilities				
Segment liabilities	(1,445)	(215)	(3)	(1,663)
Unallocated corporate liabilities				(11,510)
Consolidated total liabilities				(13,173)

Geographical segment

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

	2008 RMB'million	2007 RMB'million
Interest income	**81**	135
Imputed interest income on non-current accounts receivable from sales of properties	**15**	14
Interest income on consideration receivable on partial disposals of equity interests in subsidiaries	**30**	52
Imputed interest income on consideration receivable on partial disposals of equity interests in subsidiaries	**–**	7
Interest income from amount due from associates	**11**	–
Imputed interest income from loans to associates	**89**	–
Interest income from a fellow subsidiary	**1**	–
Sundry income	**6**	11
Grant received from local government	**109**	50
	342	269

7. OPERATING PROFIT

	2008 RMB'million	2007 RMB'million
Operating profit has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	**–**	7
Auditor's remuneration	**6**	6
Depreciation of property, plant and equipment	**51**	28
Release of prepaid lease payments	**130**	100
Less: Amount capitalised to properties under development	**(129)**	(99)
	1	1
Loss on disposal of property, plant and equipment	**14**	1
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	3
Salaries, bonuses and allowances	**37**	17
Share-based payment expenses	**5**	8
	44	28
Other staff costs		
Salaries, bonuses and allowances	**291**	266
Retirement benefits costs	**25**	22
Share-based payment expenses	**49**	28
	365	316
Total employee benefits expenses	**409**	344
Less: Amount capitalised to properties under development	**(107)**	(82)
	302	262
Cost of properties sold recognised as an expense	**1,377**	1,790
Rental charges under operating leases	**40**	31

8. FINANCE COSTS, NET OF EXCHANGE GAIN

	2008 RMB'million	2007 RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**496**	211
Interest on amounts due to minority shareholders of subsidiaries wholly repayable within five years (notes 24 and 43(b))	**4**	4
Interest on loan from a minority shareholder of a subsidiary wholly repayable within five years (notes 31 and 43(b))	**88**	–
Interest on loan from a director wholly repayable within five years (notes 32 and 43(b))	**9**	–
Imputed interest on loan from a minority shareholder of a subsidiary wholly repayable within five years (notes 31 and 43(b))	**6**	10
Interest on notes (note 25)	**246**	329
Less: Net interest income from cross currency interest rate swap	**(25)**	(96)
Total interest costs	**824**	458
Less: Amount capitalised to properties under development	**(618)**	(358)
	206	100
Loss on change in fair value of early redemption rights on notes (note 25)	**13**	17
Fair value change on cross currency interest rate swap (note 28(a))	**242**	188
Net exchange gain on bank borrowings and other financing activities	**(343)**	(197)
Other finance costs	**15**	17
	133	125

Borrowing costs capitalised during the year ended 31 December 2008 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 9.6% (2007: 4.7%) per annum to expenditure on the qualifying assets.

9. TAXATION

	2008 RMB'million	2007 RMB'million
PRC Enterprise Income Tax:		
Current taxation		
– Provision for the year	**316**	650
Deferred taxation (note 33)		
– Provision for the year	**190**	289
– Overprovision in prior year	**(68)**	–
– Attributable to a change in tax rate of the PRC Enterprise Income Tax	**–**	(343)
	122	(54)
PRC Land Appreciation Tax		
– Provision for the year	**269**	224
– Underprovision in prior year	**270**	–
	539	224
	977	820

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% (2007: 33%) on the assessable profits of the companies in the Group during the year.

On 16 March 2007, the PRC Government promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The deferred tax balance had been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

According to a joint circular of the Ministry of Finance and State Administration of Tax – Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax. Deferred tax of RMB56 million on the undistributed earnings has been charged to the consolidated income statement for the year ended 31 December 2008.

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 the 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 RMB270 million 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 RMB68 million has been made and credited to the consolidated income statement for the current year.

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

	2008 RMB'million	2007 RMB'million
Profit before taxation	**3,719**	3,687
PRC Enterprise Income Tax at 25% (2007:33%)	**930**	1,217
PRC Land Appreciation Tax	**269**	224
Tax effect of PRC Land Appreciation Tax	**(67)**	(74)
Deferred tax provided for withholding tax on income derived in the PRC	**56**	–
Tax effect of share of results of associates	**(11)**	(9)
Tax effect of expenses not deductible for tax purposes	**186**	142
Tax effect of income not taxable for tax purposes	**(662)**	(349)
Tax effect of tax losses not recognised	**74**	12
Underprovision of PRC Land Appreciation Tax in prior year	**270**	–
Overprovision of deferred tax in prior year	**(68)**	–
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**–**	(343)
Tax charge for the year	**977**	820

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

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

Name of director	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive payments RMB'000	Retirement benefit costs RMB'000	Share-based payment expenses RMB'000	2008 Total RMB'000	2007 Total RMB'000
Mr. Vincent H.S. LO		–	–	–	–	–	–	–
Mr. Louis H.W. WONG	(a)	–	3,276	9,308	285	3,512	16,381	–
Mr. Aloysius T.S. LEE	(a)	–	3,276	7,725	–	2,814	13,815	–
Mr. William T. ADDISON	(b)	–	2,952	9,623	–	(1,793)	10,782	16,627
Mr. Wilfred Y.W. WONG	(c)	–	–	–	–	–	–	2,868
Sir John R.H. BOND	(d)	271	–	–	–	–	271	1,182
The Honourable LEUNG Chun Ying	(e)	271	–	–	–	–	271	1,182
Dr. Edgar W.K. CHENG	(d)	361	–	–	–	–	361	1,279
Dr. William K.L. FUNG	(d)	361	–	–	–	–	361	1,279
Professor Gary C. BIDDLE	(d)	451	–	–	–	–	451	1,376
Dr. Roger L. McCARTHY	(d)	361	–	–	–	–	361	1,279
Mr. David J. SHAW	(d)	271	–	–	–	–	271	1,182
Total for 2008		2,347	9,504	26,656	285	4,533	43,325	28,254
Total for 2007		2,522	9,808	7,798	96	8,030	28,254	

notes:
(a) Executive directors appointed during the year
(b) Executive director resigned during the year
(c) Executive director resigned in year 2007
(d) Independent non-executive directors
(e) Non-executive director

Of the five highest paid individuals in the Group, three (2007: one) are executive directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2007: four) individuals are as follows:

	2008 RMB'million	2007 RMB'million
Salaries and other benefits	7	17
Performance related incentive payments	3	9
Retirement benefit costs	1	1
Share-based payment expenses	5	3
	16	30

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

	2008 Number of employees	2007 Number of employees
Emolument bands		
HK$4,000,001 – HK$4,500,000	–	1
HK$6,000,001 – HK$6,500,000	–	1
HK$6,500,001 – HK$7,000,000	–	1
HK$8,500,001 – HK$9,000,000	2	–
HK$9,000,001 – HK$9,500,000	–	1
	2	4

No directors waived any emoluments in the years ended 31 December 2008 and 31 December 2007.

11. DIVIDENDS

	2008 RMB'million	2007 RMB'million
Interim dividend paid in respect of 2008 of HK$0.07 per share (2007: HK$0.05 per share)	**257**	203
Final dividend proposed in respect of 2008 of HK$0.01 per share (2007: HK$0.10 per share)	**37**	373
	294	576

The Directors recommend the payment of a final dividend for the year ended 31 December 2008 of HK$0.01 (equivalent to RMB0.0088) per share. In addition, the Directors propose a bonus issue of shares to the shareholders of the Company, on the basis of one new share for every ten shares held. Such final dividend and bonus issue are subject to shareholders' approval at the forthcoming Annual General Meeting.

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.

In October 2007, an interim dividend in respect of 2007 of HK$0.05 (equivalent to RMB0.048) per share was paid to the shareholders.

In June 2007, a final dividend in respect of 2006 of HK$0.06 (equivalent to RMB0.059) 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

	2008 RMB'million	2007 RMB'million
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**2,480**	2,462

Number of shares

	2008 'million	2007 'million
Weighted average number of shares for the purpose of basic earnings per share	**4,186**	4,185
Effect of dilutive potential shares:		
Share options issued by the Company	**18**	15
Weighted average number of shares for the purpose of diluted earnings per share	**4,204**	4,200

12. EARNINGS PER SHARE (Continued)

Number of shares (Continued)

	2008	2007
Basic earnings per share	**RMB0.59**	RMB0.59
	HK$0.65	HK$0.61
Diluted earnings per share (note (a))	**RMB0.59**	RMB0.59
	HK$0.65	HK$0.61

Notes:

(a) Other than the share options granted on 3 November 2008, there are 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 (2007: There were no dilution effects for the share options granted on 1 August 2007, 2 October 2007, 1 November 2007 and 3 December 2007 as the exercise price of these share options granted were higher than the average market price for 2007).

(b) 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$1.108 for 2008 and RMB1.000 to HK$1.026 for 2007, being the average exchange rates that prevailed during the respective years.

13. INVESTMENT PROPERTIES

	2008 RMB'million	2007 RMB'million
At fair value		
At beginning of the year	**7,994**	6,205
Acquisition of subsidiaries (note 34)	**48**	–
Additions	**8**	9
Transfer from prepaid lease payments and properties under development (notes 15 and 16)	**34**	1,203
Increase in fair value recognised in the consolidated income statement	**382**	577
At end of the year	**8,466**	7,994

The investment properties are all situated in the PRC under long/medium-term leases. All the investment properties are rented out under operating leases.

The fair values of the Group's investment properties at 31 December 2008 and 31 December 2007 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuers not connected to the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in relevant locations. 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.

All of the Group's investment properties held under operating leases to earn rentals are classified as investment properties and are accounted for using the fair value model.

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 2007	151	102	253
Transfer from properties under development	48	16	64
Additions	–	44	44
Disposals of a subsidiary	–	(7)	(7)
Disposals	–	(19)	(19)
At 31 December 2007	199	136	335
Acquisitions 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**
Accumulated depreciation			
At 1 January 2007	24	41	65
Charge for the year	6	22	28
Eliminated on disposals of a subsidiary	–	(2)	(2)
Eliminated on disposals	–	(16)	(16)
At 31 December 2007	30	45	75
Charge for the year	**10**	**41**	**51**
Eliminated on disposals	**(6)**	**(2)**	**(8)**
At 31 December 2008	**34**	**84**	**118**
Carrying values			
At 31 December 2008	**250**	**93**	**343**
At 31 December 2007	169	91	260

The owner-occupied leasehold land and buildings amounted to RMB57 million as the balance sheet date is 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 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

	2008 RMB'million	2007 RMB'million
At beginning of the year	**4,325**	3,710
Additions	**2,105**	1,100
Transfer to investment properties (note 13)	**(10)**	(385)
Release for the year (note 7)	**(130)**	(100)
At end of the year	**6,290**	4,325

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	
	2008 RMB'million	2007 RMB'million	2008 RMB'million	2007 RMB'million
At cost				
At beginning of the year	**1,734**	1,760	**6,281**	4,749
Additions	**572**	693	**4,535**	1,887
Release of prepaid lease payments capitalised to properties under development (note 7)	**129**	99	**–**	–
Transfer to investment properties (note 13)	**(24)**	(818)	**–**	–
Transfer to properties held for sale	**–**	–	**(2,995)**	(291)
Transfer to property, plant and equipment	**–**	–	**(35)**	(64)
At end of the year	**2,411**	1,734	**7,786**	6,281

The properties under development are all situated in the PRC.

Included in the current portion of properties under development as of 31 December 2008 is carrying value of RMB7,099 million (2007: RMB4,542 million) which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the balance sheet date.

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	2008 RMB'million	2007 RMB'million
Cost of investments, unlisted	**227**	59
Share of post-acquisition profits	**69**	26
	296	85
Loans to associates	**1,331**	981
Amounts due from associates	**450**	12

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

	2008 RMB'million	2007 RMB'million
Total assets	**4,875**	2,445
Total liabilities	**(3,972)**	(2,126)
Net assets	**903**	319
Group's share of net assets of associates	**296**	85
Revenue	**–**	6
Profit for the year	**71**	42
Group's share of results of associates for the year	**44**	26

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (Continued)

Particulars of the Group's principal associates at 31 December 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.

Loans to associates represent the loans to subsidiaries of Richcoast for financing the development of DALIAN TIANDI. software hub, a property development project in Dalian, the PRC. Pursuant to the Joint Venture Agreement dated 25 May 2007 referred to in note 43(a), the loans are unsecured, interest free and with no fixed terms of repayment until Many Gain International Limited ("Many Gain"), a shareholder of Richcoast which is an independent third party, has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 10% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 9.6% (2007: 5.4%) per annum.

The amounts due from associates are unsecured, interest bearing at 5.8% (2007: nil) per annum and repayable on demand.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	2008 RMB'million	2007 RMB'million
Cost of investment, unlisted	–	–
Share of post-acquisition losses	–	–
	–	–
Amount due from a jointly controlled entity	11	11
Less: Allowance	(11)	(11)
	–	–

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

	2008 RMB'million	2007 RMB'million
Non-current accounts receivable comprise:		
Receivables from sales of properties (note a)	283	272
Deferred rental receivables	46	40
	329	312
Current accounts receivable comprise:		
Trade receivables	263	340
Less: allowance for bad and doubtful debts	–	(9)
	263	331
Consideration receivable on partial disposals of equity interests in subsidiaries (note b)	339	1,136
Prepayments of relocation costs (note c)	474	558
Deposit for land acquisition (note 41(a)(v))	–	1,200
Other deposits, prepayments and receivables	94	252
	1,170	3,477

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 related 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 balance sheet date:

	2008 RMB'million	2007 RMB'million
Not yet due	**129**	284
Within 30 days	**6**	4
31 – 60 days	**6**	23
61 – 90 days	**–**	1
Over 90 days	**122**	19
	263	331

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB134 million (2007: RMB47 million) which are past due at the balance sheet date for which the Group has not provided for impairment loss as the Group has collateral over these balances.

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

	2008 RMB'million	2007 RMB'million
Within 30 days	**6**	4
31 – 60 days	**6**	23
61 – 90 days	**–**	1
Over 90 days	**122**	19
	134	47

The Group has provided fully for all receivables when evidence indicates that they are not recoverable.

Movement in the allowance for bad and doubtful debts:

	2008 RMB'million	2007 RMB'million
Balance at beginning of the year	**9**	2
Impairment losses recognised on trade receivables	**–**	7
Amounts written off as uncollectible	**(9)**	–
Balance at end of the year	**–**	9

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (Continued)

Movement in the allowance for bad and doubtful debts: (Continued)

Included in the allowance for bad and doubtful debts as of 31 December 2007 were individually impaired trade receivables with an aggregate balance of RMB9 million which had either been placed under liquidation or in severe financial difficulties. The Group did not hold any collateral over these balances.

Notes:

(a) The amounts are unsecured and repayable on or before 31 December 2010. RMB162 million (2007: RMB152 million) of the entire amount outstanding at 31 December 2008 is interest free whereas the remaining balance of RMB121 million (2007: RMB120 million) is interest bearing as follows:

- (i) the whole amount is interest free from 1 January 2007 to 31 December 2007
- (ii) 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
- (iii) the whole amount bears interest at simple interest rate of 6% per annum from 1 January 2009 to 31 December 2009
- (iv) the full amount bears interest at simple interest rate of 8% per annum from 1 January 2010 to 31 December 2010

The amount is carried at amortised cost at effective interest rate of 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 are unsecured, interest bearing at People's Bank of China one-year borrowing rate and repayable in accordance with the terms set out in notes 36(a) & (b).

The balance at 31 December 2007 represented the consideration receivable on partial disposals of equity interests in Fieldcity Investments Limited and Portspin Limited. These amounts were unsecured, interest bearing at People's Bank of China 1-year borrowing rate and repayable in accordance with the terms set out in notes 36(c) & (d).

(c) The balance represents the amounts that will be capitalised to properties under development in accordance with the Group's normal operating cycle, and not expected to be realised within twelve months from the balance sheet date.

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 RMB694 million (2007: RMB237 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 1.7% (2007: 0.7% to 1.7%) per annum. The pledged bank deposits carry fixed interest rate range from 0.4% to 4.7% (2007: 0.7% to 1.7%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowing.

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% (2007: 5.9%) per annum and repayable on or before 24 June 2009.

23. AMOUNTS DUE FROM/TO RELATED PARTIES

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

	2008 RMB'million	2007 RMB'million
Amounts due from:		
– shareholders	**–**	1
– fellow subsidiaries	**62**	40
– a company in which a director of the Company has a beneficial interest (note)	**–**	3
Amounts due from related parties	**62**	44
Amounts due to:		
– shareholders	**1**	17
– fellow subsidiaries	**32**	22
Amounts due to related parties	**33**	39

Note:
Mr. Vincent H.S. LO, a director of the Company, has a beneficial interest in this related company.

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

24. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

Particulars of the amounts due from/to minority shareholders of subsidiaries are as follows:

	2008 RMB'million	2007 RMB'million
Amounts due from minority shareholders of subsidiaries		
Interest free	**176**	6
Amounts due to minority shareholders of subsidiaries		
Interest free	**172**	792
Interest bearing at 5% per annum	**84**	84
Interest bearing at 8% per annum	**502**	–
	758	876

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

25. 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.

25. NOTES AND WARRANTS (Continued)

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.

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.

25. NOTES AND WARRANTS (Continued)

The principal terms of the warrants (Continued)

(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 at 1 January 2007	2,762	(29)	2,733
Exchange realignment	(182)	1	(181)
Interest charged during the year	329	–	329
Interest paid during the year	(242)	–	(242)
Loss on change in fair value	–	17	17
As at 31 December 2007	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 at 31 December 2008	**–**	**–**	**–**

26. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2008 RMB'million	2007 RMB'million
Trade payables aged analysis:		
Not yet due	**691**	495
Within 30 days	**85**	288
31 – 60 days	**9**	–
61 – 90 days	**1**	1
Over 90 days	**4**	1
	790	785
Retention payables (note)	**120**	78
Deed tax, business tax and other tax payables	**815**	555
Deposits received and receipt in advance from property sales	**7**	39
Deposits received and receipt in advance in respect of rental of investment properties	**156**	142
Accrued charges	**194**	169
	2,082	1,768

Note:

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

27. BANK BORROWINGS

	2008 RMB'million	2007 RMB'million
Repayable within a period of		
– Not more than 1 year or on demand	**1,953**	1,514
– More than 1 year, but not exceeding 2 years	**1,550**	586
– More than 2 years, but not exceeding 5 years	**4,346**	2,149
– More than 5 years	**349**	156
	8,198	4,405
Less: Amount due within one year shown under current liabilities	**(1,953)**	(1,514)
Amount due after one year	**6,245**	2,891

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

Denominated in	Interest rate	2008 RMB'million	2007 RMB'million
RMB	90% to 110% (2007: 90% to 100%) of People's Bank of China ("PBOC") Prescribed Interest Rate	**1,794**	1,135
	Fixed rate of 5.59%	**–**	100
		1,794	1,235
Hong Kong dollars	Hong Kong Interbank Offered Rates ("HIBOR") plus 0.85% to 4.5% (2007: HIBOR plus 0.8% to 2.75%)	**5,654**	3,170
United States dollars	London Interbank Offered Rates plus 6% – 10%	**750**	–
		8,198	4,405

As of 31 December 2008, the weighted average effective interest rate on the bank loans was 6.0% (2007: 5.5%), and are further analysed as follows:

	2008	2007
Denominated in RMB	**5.5%**	7.0%
Denominated in Hong Kong dollars	**5.5%**	4.9%
Denominated in United States dollars	**10.8%**	–

The bank loans as at the balance sheet dates were secured by the pledge of assets as set out in note 39.

28. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

The derivative financial instruments are measured at fair value at the balance sheet date. The fair value are determined based on valuation provided by the counterparty financial institution.

(a) Cross currency interest rate swap

At 31 December 2007, the Group had an outstanding cross currency interest rate swap 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 swap as a hedge 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 swap had been negotiated to match the terms of the notes.

In April 2008, the cross currency interest rate swap was early terminated. The fair value loss arising from the cross currency interest rate swap of RMB158 million (2007: RMB316 million) had been initially dealt with in the hedge reserve; an amount of RMB104 million (2007: RMB237 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.

(b) Interest rate swaps

During the year ended 31 December 2008, the Group entered into 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 Hong Kong Interbank Offered Rate ("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 2008, fair value change arising from the interest rate swaps of 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 interests payments of the related bank borrowings are expected to settle.

29. 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 2007	12,000,000,000	30,000	4,185,097,171	10,463
Issue of shares on exercise of share options	–	–	500,000	1
At 31 December 2007 and 2008	**12,000,000,000**	**30,000**	**4,185,597,171**	**10,464**

	2008 RMB'million	2007 RMB'million
Shown in the consolidated balance sheet as	**84**	84

30. 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 minority 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 minority shareholder upon the group reorganisation in 2004.

(b) Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from minority shareholders, which will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

During the year ended 31 December 2008, an amount of RMB63 million (2007: RMB12 million) was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates, and an amount of RMB17 million (2007: nil) was released to the consolidated income statement upon the partial disposal of equity interests in subsidiaries (Note 36(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 Shui On Company Limited, 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 minority shareholder of a subsidiary in 2005, as set out in note 31(a).

(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.

31. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The carrying amount of the loans from minority shareholders of subsidiaries are analysed as follows:

Denominated in	Interest rate per annum	2008 RMB'million	2007 RMB'million
RMB	Interest free (Note a)	**199**	193
United States dollars	8.42% (Note b)	**670**	–
		869	193
Analysed for reporting purposes as:			
Non-current		**670**	93
Current		**199**	100
		869	193

(a) The amount at 31 December 2008 is unsecured and repayable on demand. The amount is carried at amortised cost at effective rate of 5.3% per annum.

The balance at 31 December 2007 was unsecured and carried at amortised cost at effective rate of 5.3% per annum. RMB100 million of the balance at 31 December 2007 was repayable on demand whereas the remaining balance of RMB93 million was not repayable in the next twelve months from the balance sheet date.

(b) The loan is unsecured and not repayable in the next twelve months from the balance sheet date.

32. LOAN FROM A DIRECTOR

The loan is denominated in United States dollars, unsecured, interest bearing at London Interbank Offered Rate plus 8% and has no fixed terms of repayment.

The director has confirmed that he will not demand repayment of the loan within twelve months from the balance sheet date and the loan is therefore classified as non-current liabilities.

33. DEFERRED TAX ASSETS/LIABILITIES

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

	Accelerated tax depreciation RMB'million	Revaluation of properties RMB'million	Tax losses RMB'million	Recognition of sales and related cost of sales RMB'million	Withholding tax on income derived in the PRC RMB'million	Others RMB'million	Total RMB'million
At 1 January 2007	156	1,175	(62)	721	–	63	2,053
Effect on change in tax rate	(66)	(285)	9	14	–	(15)	(343)
Transfer to current tax liabilities	–	–	20	(757)	–	10	(727)
Charge (credit) to consolidated income statement	52	144	9	89	–	(5)	289
At 31 December 2007	142	1,034	(24)	67	–	53	1,272
Overprovision in prior year	**(68)**	**–**	**–**	**–**	**–**	**–**	**(68)**
Transfer from current tax liabilities	**744**	**–**	**–**	**–**	**–**	**–**	**744**
Charge (credit) to consolidated income statement	**(147)**	**96**	**(7)**	**182**	**56**	**10**	**190**
At 31 December 2008	**671**	**1,130**	**(31)**	**249**	**56**	**63**	**2,138**

33. DEFERRED TAX ASSETS/LIABILITIES (Continued)

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

	2008 RMB'million	2007 RMB'million
Deferred tax assets	**(113)**	(89)
Deferred tax liabilities	**2,251**	1,361
	2,138	1,272

As at the balance sheet date, the Group had unused tax losses of RMB554 million (2007: RMB231 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB126 million (2007: RMB98 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB428 million (2007: RMB133 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2008 RMB'million	2007 RMB'million
2008	**–**	5
2009	**15**	15
2010	**50**	39
2011	**35**	38
2012	**68**	36
2013	**260**	–
	428	133

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 Shui On Company Limited, as seller, Foresight agreed to acquire from Smithton its entire investment in the issued capital of Silomax Limited ("Silomax") and the loan owing 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:

Net assets acquired:	Acquisition of Silomax RMB'million	Acquisition of Feng Cheng RMB'million	Total RMB'million
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)
Amount 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:	Acquisition of Silomax RMB'million	Acquisition of Feng Cheng RMB'million	Total RMB'million
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. ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN SUBSIDIARIES

Acquisition of 30% of the issued share capital of Profitstock Holding Limited

Pursuant to a sale and purchase agreement dated 31 July 2007 entered into among Equity Millennium Limited and Shun Hing China Investment Limited, collectively as sellers (the “Sellers”) and Shui On Development (Holding) Limited (“SOD”), a wholly owned subsidiary of the Company, as purchaser, SOD agreed to acquire a 30% of the issued share capital of a then 70% owned subsidiary, Profitstock Holding Limited (“Profitstock”), from the Sellers. In addition, SOD also agreed to acquire the benefit of the shareholders’ loans advanced to Profitstock by the Sellers amounting to RMB121 million. The consideration for the acquisition of the 30% of the issued share capital of Profitstock and the benefit of the shareholders’ loans, which amounted to US$116 million (equivalent to RMB870 million), was payable in cash by two instalments. The first instalment amounting to US$58 million (equivalent to RMB438 million) was settled in July 2007. The second instalment in the remaining sum of US$58 million (equivalent to RMB432 million) was settled in October 2007 when the transaction was completed.

A gain of RMB80 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 Profitstock attributable to the acquisition over the cost of the acquisition, has been recognised in the consolidated income statement for the year ended 31 December 2007.

36. DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES

	2008 RMB’million	2007 RMB’million
Gain on partial disposals 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**	–
– 25% of the issued share capital of Fieldcity Investments Limited (note c)	**–**	480
– 49% of the issued share capital of Portspin Limited (note d)	**–**	364
	1,883	844
Gain on disposal of equity interests in subsidiaries:		
– Entire equity interest in Bestwealth Holdings Limited (note e)	**–**	1
	1,883	845

36. DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES (Continued)

(a) Disposal of a 25% 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 minority shareholder who holds a 19.8% equity interest in Score High) as purchaser, Score High agreed to sell to WCL a 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. Subsequent to the balance sheet date, Score High entered into a supplemental deed dated 6 January 2009 with WCL and extended the exercisable period to 30 April 2009.

(b) Disposal of a 25% 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 a 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. Subsequent to the balance sheet date, SOD entered into a supplemental deed dated 6 January 2009 with WCL and extended the exercisable period to 30 April 2009.

36. DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES (Continued)

(c) Disposal of a 25% of the issued share capital of Fieldcity Investments Limited

Pursuant to a sale and purchase agreement dated 29 June 2007 entered into between SOD as seller and Trophy Property Development L.P. ("Trophy", a collective investment scheme managed by WCL) as purchaser, SOD agreed to sell to Trophy a 25% of the issued share capital of Fieldcity Investments Limited ("Fieldcity"), a then wholly owned subsidiary of the Company. In addition, Trophy also agreed to acquire the benefit of the shareholder's loans advanced to Fieldcity by SOD amounting to US$98 million (equivalent to RMB746 million). The consideration for the partial disposal of the equity interest and the benefit of the shareholder's loans, which amounted to RMB1,245 million, was received in five instalments. The first instalment in the sum of RMB62 million was settled in June 2007. The second and third instalments in the sum of RMB249 million each, which bore interest at the PBOC Prescribed Interest Rate, were received in October 2007 and March 2008. The fourth and fifth instalments in the sum of RMB374 million and RMB311 million, which bore interest at PBOC Prescribed Interest Rate, were received in July 2008 and October 2008, respectively.

A gain of RMB480 million arose from the above disposal has been recognised in the consolidated income statement for the year ended 31 December 2007.

(d) Disposal of a 49% of the issued share capital of Portspin Limited

Pursuant to a sale and purchase agreement dated 29 June 2007 entered into between SOD as seller and Trophy as purchaser, SOD agreed to sell to Trophy a 49% of the issued share capital of Portspin Limited, a then wholly owned subsidiary of the Company. The consideration for the partial disposal of the equity interest, which amounted to RMB364 million, was received in three instalments. The first instalment in the sum of RMB18 million was settled in June 2007. The second instalment in the sum of RMB182 million, which bore interest at PBOC Prescribed Interest Rate, was received in October 2007. The third instalment on the remaining sum of RMB164 million, which bore interest at PBOC Prescribed Interest Rate, was received in March 2008.

A gain of RMB364 million arose from the above disposal has been recognised in the consolidated income statement for the year ended 31 December 2007.

36. DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES (Continued)

(e) Disposal of entire equity interests in Bestwealth Holdings Limited

On 14 February 2007, the Group disposed of the entire equity interests in Bestwealth Holdings Limited to an independent third party as purchaser for an aggregate cash consideration of RMB11 million. The net assets of the disposed subsidiaries at the date of disposal were as follows:

	RMB'million
Net assets disposed of:	
Property, plant and equipment	5
Bank balances and cash	7
Other payables and accrued charges	(1)
Exchange reserve realised	(1)
	10
Gain on disposal	1
Cash consideration	11
Net cash inflow arising on disposal:	
Cash consideration	11
Bank balances and cash disposed of	(7)
	4

The impact of Bestwealth Holdings Limited on the Group's results and cash flows in the year of disposal was insignificant.

37. SHARE-BASED PAYMENT TRANSACTIONS

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

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

At 31 December 2008, 262,727,583 share options (2007: 150,409,189 share options) had been granted and remained outstanding under the Scheme, representing 6.3% (2007: 3.6%) 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. Details of the share options granted during the year are 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
20 June 2007	7.00	6.98	2.90	146,888,190
1 August 2007	8.18	7.99	3.15	1,636,903
2 October 2007	10.00	10.00	3.96	5,222,500
1 November 2007	11.78	11.78	4.58	4,550,064
3 December 2007	9.88	9.88	3.73	1,601,700
				159,899,357
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 Binominal model. The inputs into the model were as follows:

	2008	2007
Expected volatility	**40% to 45%**	40% to 45%
Expected life	**4.57 to 8.79 years**	3.42 to 8.76 years
Risk-free rate	**1.90% to 3.51%**	2.62% to 4.68%
Expected dividend yield	**2.0%**	2.0% to 2.5%

Expected volatility 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 behavioral considerations.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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 RMB54 million (2007: RMB36 million) in the consolidated income statement in relation to share options granted by the Company.

In 2008, none of the share options are exercised. In respect of the share options exercised during the year 2007, the share price at the date of exercise was HK$7.95.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

	Number of options				
Date of grant	**At 1 January 2008**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2008**
20 June 2007	**137,666,798**	**–**	**–**	**(18,919,254)**	**118,747,544**
1 August 2007	**1,435,193**	**–**	**–**	**(64,180)**	**1,371,013**
2 October 2007	**5,200,000**	**–**	**–**	**(355,000)**	**4,845,000**
1 November 2007	**4,505,498**	**–**	**–**	**(233,444)**	**4,272,054**
3 December 2007	**1,601,700**	**–**	**–**	**(101,212)**	**1,500,488**
2 January 2008	**–**	**3,725,183**	**–**	**(275,917)**	**3,449,266**
1 February 2008	**–**	**2,419,238**	**–**	**(319,872)**	**2,099,366**
3 March 2008	**–**	**813,794**	**–**	**(39,062)**	**774,732**
2 May 2008	**–**	**9,722,499**	**–**	**(1,926,225)**	**7,796,274**
2 June 2008	**–**	**15,905,938**	**–**	**(68,119)**	**15,837,819**
2 July 2008	**–**	**1,784,027**	**–**	**–**	**1,784,027**
3 November 2008	**–**	**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**

Date of grant	At 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2007
20 June 2007	–	146,888,190	(500,000)	(8,721,392)	137,666,798
1 August 2007	–	1,636,903	–	(201,710)	1,435,193
2 October 2007	–	5,222,500	–	(22,500)	5,200,000
1 November 2007	–	4,550,064	–	(44,566)	4,505,498
3 December 2007	–	1,601,700	–	–	1,601,700
	–	159,899,357	(500,000)	(8,990,168)	150,409,189
Number of options exercisable	3,700,000				3,700,000

38. 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.

38. PROVIDENT AND RETIREMENT FUND SCHEMES (Continued)

Hong Kong (Continued)

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 2008 were less than RMB1 million.

The Plan

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

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2008 and 31 December 2007 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 balance sheet date are as follows:

	2008	2007
Discount rate	**1.20%**	3.50%
Expected rate of salary increase		2008 : 14%
	2009 : 2%	2009 : 11%
	2010+ : 5%	2010 : 8%
		2011+: 5%
Expected rate of return on plan assets	**8%**	8.25%

The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31 December 2008 was RMB44 million (2007: RMB75 million), representing 44% (2007: 84%) of the benefits that had accrued to members.

Amounts recognised in the consolidated income statement for the year ended 31 December 2008 and 31 December 2007 in respect of the defined benefit plan are as follows:

	2008 RMB'million	2007 RMB'million
Current service cost	**4**	3
Interest cost	**3**	2
Expected return on plan assets	**(6)**	(5)
Net actuarial losses recognised during the year	**1**	–
Net amount charged to consolidated income statement as staff costs	**2**	–

38. PROVIDENT AND RETIREMENT FUND SCHEMES (Continued)

Hong Kong (Continued)

The Plan (Continued)

The actual returns on plan assets allocated to the Group for the year ended 31 December 2008 were losses of RMB25 million (2007: gains of RMB14 million).

The amounts included in the consolidated balance sheets arising from the Group's obligations in respect of the Plan are as follows:

	2008 RMB'million	2007 RMB'million
Present value of funded defined benefit obligations	**99**	89
Unrecognised actuarial losses	**(59)**	(20)
Fair value of plan assets	**(44)**	(75)
Defined benefit assets	**(4)**	(6)

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

	2008 RMB'million	2007 RMB'million
At 1 January	**89**	59
Exchange realignment	**(5)**	(4)
Current service cost	**4**	3
Interest cost	**3**	2
Contributions from plan participants	**1**	1
Actuarial losses	**11**	31
Transfer-out liabilities	**(1)**	–
Benefits paid	**(3)**	(3)
At 31 December	**99**	89

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

	2008 RMB'million	2007 RMB'million
At 1 January	**(75)**	(66)
Exchange realignment	**4**	4
Expected return on plan assets	**(6)**	(5)
Actuarial losses (gains)	**31**	(9)
Contributions from the employer	**(1)**	(1)
Contributions from plan participants	**(1)**	(1)
Benefits paid	**3**	3
Transfer-in assets	**1**	–
At 31 December	**(44)**	(75)

38. PROVIDENT AND RETIREMENT FUND SCHEMES (Continued)

Hong Kong (Continued)

The Plan (Continued)

The major categories of plan assets at the balance sheet date are as follows:

	2008 RMB'million	2007 RMB'million
Equities	**20**	42
Hedge funds	**13**	16
Bonds and cash	**11**	17
	44	75

The Group expects to make a contribution of RMB1 million (2007: 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.

39. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain certain banking facilities at the balance sheet date:

	2008 RMB'million	2007 RMB'million
Investment properties	**8,308**	7,937
Property, plant and equipment	**129**	134
Prepaid lease payments	**599**	187
Properties under development and properties under development for sale	**2,018**	2,339
Properties held for sale	**1,072**	212
Accounts receivable	**180**	–
Bank deposits	**1,709**	854
	14,015	11,663

Included in pledged bank deposits above is an amount of RMB443 million (2007: RMB285 million) which has been pledged to a bank to secure the banking facilities granted to an associate.

In addition, the equity interests in certain subsidiaries were also pledged to banks as securities to obtain banking facilities at the balance sheet date.

40. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned, net of outgoings, during the year ended 31 December 2008 was RMB488 million (2007: RMB339 million). The investment properties held have committed tenants for the next one to twelve years at fixed rentals. Certain leases contain contingent rental income recognised during the year ended 31 December 2008 amounting to RMB9 million (2007: RMB5 million).

As at the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2008 RMB'million	2007 RMB'million
Within one year	**527**	417
In the second to fifth years inclusive	**827**	701
Over five years	**113**	145
	1,467	1,263

As lessee

As at the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 RMB'million	2007 RMB'million
Within one year	**45**	47
In the second to fifth years inclusive	**105**	50
Over five years	**90**	83
	240	180

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 sixteen years.

41. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

(i) As at the respective balance sheet dates, the Group had the following commitments:

	2008 RMB'million	2007 RMB'million
Contracted but not provided for:		
Capital expenditure in respect of the acquisition of property, plant and equipment	**2**	19
Development costs for properties under development	**2,623**	2,444
Development costs for properties under development held for sale	**2,793**	2,602
	5,418	5,065

41. COMMITMENTS AND CONTINGENCIES (Continued)

(a) Capital and other commitments (Continued)

(ii) On 13 September 2004, the Group entered into an agreement with Shui On Construction Company Limited, a subsidiary of Shui On Company Limited, to form a company in which the Group is entitled to share 1% of the result of that company and to provide a funding not exceeding RMB320,000.

No capital had been contributed by the Group to this company as of 31 December 2008 and 31 December 2007.

In August 2004, the Group issued a letter of guarantee amounting to HK$7 million jointly with Shui On Construction Company Limited in favour of a third party to guarantee the due performance of this company.

(iii) 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 of 31 December 2008, 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.

(iv) 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 of 31 December 2008, no construction contracts related to the educational facilities were entered into.

(v) 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 RMB2,864 million has been paid to the Land Exchange Centre up to 31 December 2008, of which RMB1,232 million has been recognised as prepaid lease payments and the remaining RMB1,632 million as property under development for sale. The remaining balance of RMB4,646 million will be paid in stages in line with the relocation progress of the land (2007: the Group has made a refundable deposit amounting to RMB1,200 million).

(vi) 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.software hub 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 2008, 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 (2007: nil).

41. COMMITMENTS AND CONTINGENCIES (Continued)

(b) Contingent liabilities

Financial guarantee contracts:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2007: 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 of 31 December 2008, no amount had been drawn down under this arrangement (2007: nil).

(ii) As of 31 December 2008, the Group has issued guarantees amounting to RMB528 million (2007: RMB285 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 (2007: RMB250 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 balance sheets as of 31 December 2008 and 31 December 2007.

42. MAJOR NON-CASH TRANSACTIONS

Details of the non-cash transactions entered into during the years ended 31 December 2008 and 2007 in relation to the acquisitions and disposal of interests in subsidiaries are set out in notes 34 and 36(e), respectively.

43. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 17, 18, 23, 24, 31, 32, 34 and 41, the Group had the following transactions with certain subsidiaries of Shui On Company Limited.

(a) 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 SOCAM and Many Gain, an independent third party, whereby the parties agreed to form a joint venture company, Richcoast, which is owned 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone, and Many Gain, respectively, for the development and operation of DALIAN TIANDI.software hub in Dalian, the PRC.

43. RELATED PARTY TRANSACTIONS (Continued)

(b) The Group also had the following transactions with related parties in which certain directors and senior management of the Company have beneficial interests as follows:

	2008 RMB'million	2007 RMB'million
Fellow subsidiaries		
Project construction costs	**248**	117
Rental and building management fee expenses	**28**	22
Project management fee income	**4**	10
Interest income	**1**	–
Associates		
Building management fee expenses	**3**	3
Imputed interest income	**89**	–
Interest income	**11**	–
Shareholders		
Rental and building management fee income	**4**	3
Minority shareholders of subsidiaries		
Imputed interest income	**–**	7
Interest income	**30**	52
Imputed interest expenses	**6**	10
Interest expenses	**92**	4
Project management fee expenses	**4**	3
Jointly controlled entity		
Rental and building management fee income	**3**	4
A director		
Interest expenses	**9**	–
Senior management		
Property sales	**12**	7
Close family members of senior management		
Property sales	**13**	–

44. 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 the notes and the bank borrowings disclosed in notes 25 and 27 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 minority interests.

The directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of bank loans and notes payable 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.

44. CAPITAL RISK MANAGEMENT (Continued)

The gearing ratio at the year end was as follows:

	2008 RMB'million	2007 RMB'million
Notes	–	2,667
Bank borrowings	**8,198**	4,405
Pledged bank deposits	**(1,709)**	(854)
Bank balances and cash	**(1,671)**	(2,843)
Net debt	**4,818**	3,375
Total equity	**19,164**	16,706
Net debt to total equity	**25%**	20%

45. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008 RMB'million	2007 RMB'million
Financial assets		
Fair value through profit or loss	–	11
Loans and receivables (including bank balances and cash)	**7,312**	8,769
Financial liabilities		
Derivative instruments designated under hedge accounting	**(256)**	(323)
Amortised cost	**(12,507)**	(9,598)

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, amount due from a minority shareholder of a subsidiary, pledged bank deposits, accounts payable, amounts due to related parties, amounts due to minority shareholders of subsidiaries and loans from minority shareholders of subsidiaries, notes and bank borrowings.

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

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

Currency risk

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

45. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

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

	2008 RMB'million	2007 RMB'million
HK dollar		
Assets	**1,640**	401
Liabilities	**(6,046)**	(3,296)
US dollar		
Assets	**562**	689
Liabilities	**(2,046)**	(3,063)

Sensitivity analysis

The Group is mainly exposed to the currency of Hong Kong dollars and US dollars.

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 balance sheet date 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 and other equity 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 other equity, and the balances below would be negative.

	Note	2008 RMB'million	2007 RMB'million
HK dollar			
Profit or loss	(i)	**210**	138
US dollar			
Profit or loss	(ii)	**71**	98
Other equity	(iii)	**–**	15

Note:
(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HK dollar not subject to cash flow hedge at year end.
(ii) This is mainly attributable to the exposure outstanding on receivables and payables denominated in US dollar not subject to cash flow hedge at year end.
(iii) This is as a result of the changes in fair value of derivative instruments designated as cash flow hedges in relation to the Group's note denominated in US dollar.

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

45. 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 HK dollar 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 28(b).

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date 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 2008 would decrease/increase by RMB42 million (2007: decrease/increase by RMB22 million for a 50 basis point change). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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

Credit risk

The Group's principal financial assets are bank balances and cash, pledged bank deposits, accounts receivable, loans receivable, loans to associates, amount due from an associate, amount due from a minority shareholder of a subsidiary 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 balance sheets are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as of 31 December 2008 where the largest debtor amounting to approximately RMB162 million (2007: RMB152 million) arising from sales of properties, loans to associates of RMB1,331 million (2007: RMB981 million) and loans receivable of RMB414 million (2007: RMB240 milllion).

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.

45. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

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

Liquidity and interest risk tables

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31.12.2008 RMB'million
2008							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	2,082	–	–	–	2,082	2,082
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 minority shareholders of subsidiaries	6.0%	802	–	–	–	802	758
Loans from minority shareholders of subsidiaries							
– variable rate	8.4%	56	55	112	726	949	670
– interest-free	–	200	–	–	–	200	199
Loan from a director	8.0%	45	612	–	–	657	567
		5,626	2,546	4,874	1,142	14,188	12,507
Derivatives – net settlement							
Cash flow hedge instruments		98	98	98	–	294	256

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31.12.2007 RMB'million
2007							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	1,418	–	–	–	1,418	1,418
Bank borrowings at variable rates	5.4%	1,561	634	2,678	303	5,176	4,405
Notes	8.5%	2,972	–	–	–	2,972	2,667
Amounts due to related parties	–	39	–	–	–	39	39
Amounts due to minority shareholders of subsidiaries	0.5%	880	–	–	–	880	876
Loan from a minority shareholder of a subsidiary	–	193	–	–	–	193	193
		7,063	634	2,678	303	10,678	9,598
Derivatives – net settlement							
Cash flow hedge instruments	–	323	–	–	–	323	323

45. 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 their fair values.

46. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008 RMB'million	2007 RMB'million
Investments in subsidiaries	**1,237**	1,237
Amounts due from subsidiaries	**8,206**	8,121
Bank balances	**22**	26
Total assets	**9,465**	9,384
Amounts due to a minority shareholder	**502**	–
Total liability	**502**	–
Net assets	**8,963**	9,384
Share capital	**84**	84
Reserves	**8,879**	9,300
Total equity	**8,963**	9,384

47. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 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
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Billion Glory Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	70%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Bright Winner Limited	Hong Kong 27 December 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd.	PRC 21 November 2003	Registered and paid up capital US$190,000,000	79.398%	PRC	Property development
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	70%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
East Capital Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding

47. 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
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	100 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	75%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB700,000,000 Paid up capital RMB654,386,790	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%	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%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB700,000,000 Paid up capital RMB681,146,580	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB700,000,000 Paid up capital RMB674,698,168	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%	PRC	Property development
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered capital RMB700,000,000 Paid up capital RMB600,714,100	100%	PRC	Property development
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	70%	Hong Kong	Investment holding

47. 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
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Grand Hope Limited (Note 4)	Hong Kong 14 March 2003	2 A shares of HK$1 each and 2 B shares of HK$1 each	A shares: 80.2% B shares: 60.15%	Hong Kong	Investment holding
Grand Rich Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Co., Ltd.	PRC 6 March 2003	Registered and paid up capital US$1,400,000	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%	PRC	Property development
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	75%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	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%	PRC	Provision of management services
Land Pacific Limited	Hong Kong 2 November 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	51%	Hong Kong	Investment holding
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding

47. 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
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	100 ordinary shares of US$1 each	51%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	60.15%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	1 ordinary share of US$1	80.2%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	80.2%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	PRC	Property development

47. 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
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$35,773,000 Paid up capital US$9,184,180	99%	PRC	Property development
Shanghai Fu Xiang Properties Co., Ltd.	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	PRC	Property development
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	PRC	Property development
Shanghai Jing Fu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	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%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd.	PRC 6 May 1996	Registered and paid up captial RMB189,000,000	75%	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered and paid up capital RMB1,400,000,000	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%	PRC	Food and beverage services
Shanghai Synergis Shui On Yang Pu Property Management Co., Ltd.	PRC 27 January 2006	Registered and paid up capital RMB500,000	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%	PRC	Property management
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	PRC	Property development
Shanghai Xing Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	PRC	Property development
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	PRC	Property development

47. 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
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$115,000,000 Paid up capital US$67,000,000	99%	PRC	Property development
Shanghai Yang Pu Centre Development Co., Ltd. (Note 5)	PRC 26 August 2003	Registered and paid up capital US$60,500,000	70%	PRC	Property development
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	75%	Hong Kong	Investment holding
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	PRC	Investment holding
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	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%	Hong Kong	Investment holding
Shui On Resort Community (Dali) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Limited	Hong Kong 5 May 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Limited	Hong Kong 25 July 2006	1 ordinary share of HK$1	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%	Hong Kong	Investment holding
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	Hong Kong	Provision of secretarial services
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	75%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding

47. 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
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Smart Silver Limited	BVI 18 December 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	75%	Hong Kong	Investment holding
Synergis Shui On Property Management (Shanghai) Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$375,000	100%	PRC	Property management
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	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%	PRC	Property development
Wuhan Shui On Tian Di Trading Co., Ltd.	PRC 8 January 2007	Registered and paid up capital US$600,000	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%	PRC	Provision of management services

Notes:

1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Hangzhou Xihu Tiandi Properties Company Limited, 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.
3. Except for Shui On Development (Holding) Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2008 or at any time during the year.
4. The holders of Class B ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Super High 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 Company Limited other than the Chongqing Super High Rise Project.
5. 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 Yuangpu Knowledge and Innovation Zone Investment and Development Company Limited ("SYKIZ"). BCL shall inject the entire portion of the increase in equity capital from US$60,500,000 to 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% 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

	2004 RMB'million	2005 RMB'million	2006 RMB'million	2007 RMB'million	**2008 RMB'million**
Turnover	1,039	1,018	4,729	4,570	**3,556**
Profit attributable to shareholders	786	380	1,146	2,462	**2,480**
Minority interests	324	166	494	405	**262**
Profit for the year	**1,110**	**546**	**1,640**	**2,867**	**2,742**

CONSOLIDATED BALANCE SHEET SUMMARY

as of 31 December

	2004 RMB'million	2005 RMB'million	2006 RMB'million	2007 RMB'million	**2008 RMB'million**
Investment properties	5,142	5,877	6,205	7,994	**8,466**
Property, plant and equipment	146	168	188	260	**343**
Prepaid lease payments	855	2,665	3,710	4,325	**6,290**
Properties under development	4,000	6,371	6,509	8,015	**10,197**
Properties held for sale	61	157	1,799	325	**2,029**
Interests in and loans to associates	–	3	3	1,066	**1,627**
Accounts receivable, deposits and prepayments	94	712	1,594	3,789	**1,499**
Other assets	180	278	373	408	**1,219**
Pledged bank deposits, bank balances and cash	1,773	2,398	5,654	3,697	**3,380**
Total assets	**12,251**	**18,629**	**26,035**	**29,879**	**35,050**
Current liabilities	3,040	5,146	3,829	8,828	**5,897**
Non-current liabilities	4,100	8,421	7,041	4,345	**9,989**
Total liabilities	**7,140**	**13,567**	**10,870**	**13,173**	**15,886**
Net assets	**5,111**	**5,062**	**15,165**	**16,706**	**19,164**
Equity attributable to:					
Shareholders of the Company	4,519	4,756	13,952	15,878	**17,808**
Minority interests	592	306	1,213	828	**1,356**
Total equity	**5,111**	**5,062**	**15,165**	**16,706**	**19,164**

PER SHARE DATA

for the year ended 31 December

	2004	2005	2006	2007	**2008**
Basic earnings per share (RMB)	0.46	0.22	0.48	0.59	**0.59**
Dividend per share					
– Interim paid (HK$)	–	–	–	0.05	**0.07**
– Final proposed (HK$)	–	–	0.06	0.10	**0.01**
– Full year (HK$)	–	–	0.06	0.15	**0.08**
Bonus shares	–	–	–	–	**1 for 10**

Note:
The Company was incorporated and registered as an exempted company in the Cayman Islands on 12 February 2004 and become the holding company of the Group as a result of certain business combinations transactions between companies under common control on 18 February 2004 and 31 December 2004. The financial summary has been presented on the basis that the Company had been the holding company of the Group from the beginning of the earliest period presented.

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. Aloysius T. S. LEE
(Managing Director – Commercial)

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

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 KY1-9002
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 REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P. O. Box 705
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 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

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瑞安房地產
SHUI ON LAND