瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 272)

Announcement of 2008 Annual Results
For the year ended 31 December 2008

HIGHLIGHTS

- Profit attributable to Company's shareholders was RMB2,480 million or HK$2,748 million, a slight increase of 1% when compared to 2007 (2007: RMB2,462 million or HK$2,526 million).
- Underlying profit attributable to the Company's shareholders (i.e. excluding the effect of revaluation of investment properties and fair value adjustment on derivative financial instruments) was RMB2,214 million or HK$2,453 million, an increase of 7% when compared to 2007 (2007: RMB2,060 million or HK$2,114 million).
- Earnings per share of RMB0.59 are the same as in 2007.
- Recommend a final dividend of HK$0.01 (equivalent to RMB0.0088), together with a bonus issue of shares on the basis of one new share for every ten shares held.
- Turnover decreased by 22% to RMB3,556 million or HK$3,940 million (2007: RMB4,570 million or HK$4,689 million), primarily due to the decrease in property sales by 28% to RMB2,939 million or HK$3,256 million (2007: RMB4,085 million or HK$4,191 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.).
- Turnover from property investment increased by 25% to RMB593 million (2007: RMB474 million). As of 31 December 2008, the size of our investment property portfolio had increased to 262,000 sq.m. of leasable GFA (31 December 2007: 253,000 sq.m.).
- As of 31 December 2008, the Group's total landbank amounted to approximately 13.2 million sq.m. of GFA (of which 9.7 million sq.m. are attributable to shareholders of the Company), comprising eight projects that span over six cities, namely Shanghai, Hangzhou, Chongqing, Wuhan, Dalian and Foshan.
- Total assets increased to approximately RMB35.1 billion (31 December 2007: RMB29.9 billion).
- Total equity was RMB19.2 billion, of which RMB17.8 billion was attributable to shareholders of the Company (31 December 2007: total equity was RMB16.7 billion and RMB15.9 billion attributable).
- Net debt was RMB4,818 million (31 December 2007: RMB3,375 million). Net debt to total equity ratio ("net gearing ratio") increased to 25% as of 31 December 2008 (31 December 2007: 20%).

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.

Website: www.shuionland.com

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	notes	**2008**		2007	
		HK$'million *(note 2)*	**RMB'million**	HK$'million *(note 2)*	RMB'million
Turnover	*4*	**3,940**	**3,556**	4,689	4,570
Cost of sales		**(1,689)**	**(1,524)**	(1,934)	(1,885)
Gross profit		**2,251**	**2,032**	2,755	2,685
Other income		**379**	**342**	276	269
Selling and marketing expenses		**(148)**	**(134)**	(117)	(114)
General and administrative expenses		**(772)**	**(697)**	(570)	(556)
Operating profit	*5*	**1,710**	**1,543**	2,344	2,284
Increase in fair value of investment properties		**423**	**382**	592	577
Gain on acquisition of additional equity interests in subsidiaries		**-**	**-**	82	80
Gains on disposal and partial disposals of equity interests in subsidiaries		**2,086**	**1,883**	867	845
Share of results of associates		**49**	**44**	27	26
Finance costs, net of exchange gain	*6*	**(147)**	**(133)**	(128)	(125)
Profit before taxation		**4,121**	**3,719**	3,784	3,687
Taxation	*7*	**(1,083)**	**(977)**	(841)	(820)
Profit for the year		**3,038**	**2,742**	2,943	2,867
Attributable to:					
Shareholders of the Company		**2,748**	**2,480**	2,526	2,462
Minority interests		**290**	**262**	417	405
		3,038	**2,742**	2,943	2,867
Dividends	*8*				
Interim dividend, paid		**285**	**257**	208	203
Final dividend, proposed		**42**	**37**	383	373
		327	**294**	591	576
Earnings per share	*9*				
Basic		**HK$0.65**	**RMB0.59**	HK$0.61	RMB0.59
Diluted		**HK$0.65**	**RMB0.59**	HK$0.61	RMB0.59

CONSOLIDATED BALANCE SHEET
As of 31 December 2008

	notes	**2008** **RMB'million**	2007 RMB'million
Non-current assets			
Investment properties		**8,466**	7,994
Property, plant and equipment		**343**	260
Prepaid lease payments		**6,290**	4,325
Properties under development		**2,411**	1,734
Interests in associates		**296**	85
Loans to associates		**1,331**	981
Accounts receivable	*10*	**329**	312
Pledged bank deposits		**694**	237
Defined benefit assets		**4**	6
Deferred tax assets		**113**	89
		20,277	16,023
Current assets			
Properties under development for sale		**7,786**	6,281
Properties held for sale		**2,029**	325
Accounts receivable, deposits and prepayments	*10*	**1,170**	3,477
Loans receivable		**414**	240
Amounts due from associates		**450**	12
Amounts due from related parties		**62**	44
Amounts due from minority shareholders of subsidiaries		**176**	6
Early redemption rights on notes		**-**	11
Pledged bank deposits		**1,015**	617
Bank balances and cash		**1,671**	2,843
		14,773	13,856
Current liabilities			
Accounts payable, deposits received and accrued charges	*11*	**2,082**	1,768
Amounts due to related parties		**33**	39
Amounts due to minority shareholders of subsidiaries		**758**	876
Loan from a minority shareholder of a subsidiary		**199**	100
Tax liabilities		**872**	1,541
Notes - due within one year		**-**	2,667
Bank borrowings - due within one year		**1,953**	1,514
Derivative financial instruments designated as hedging instruments		**-**	323
		5,897	8,828
Net current assets		**8,876**	5,028
Total assets less current liabilities		**29,153**	21,051

CONSOLIDATED BALANCE SHEET (CONTINUED)
As of 31 December 2008

	2008 RMB'million	2007 RMB'million
Capital and reserves		
Share capital	**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	**6,245**	2,891
Derivative financial instruments designated as hedging instruments	**256**	-
Loans from minority shareholders of subsidiaries	**670**	93
Loan from a director	**567**	-
Deferred tax liabilities	**2,251**	1,361
	9,989	4,345
	29,153	21,051

Notes to the consolidated financial statements:

1. General

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 consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Financial Reporting Standards issued by the International Accounting Standards Board (the "IASB").

2. Presentation

The HK dollar figures presented in the consolidated income statement 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.

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

3. 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
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] 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.

4. Turnover and segmental information

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

	2008	2007
	RMB'million	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

4. Turnover and segmental information (Continued)

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

	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**

	As of 31 December 2008			
BALANCE SHEET	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
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)**

4. 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

	As of 31 December 2007			
BALANCE SHEET	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
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 People's Republic of China ("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.

5. Operating profit

Operating profit has been arrived at after charging (crediting):	**2008 RMB'million**	2007 RMB'million
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

6. 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	**4**	4
Interest on loan from a minority shareholder of a subsidiary wholly repayable within five years	**88**	-
Interest on loan from a director wholly repayable within five years	**9**	-
Imputed interest on loan from a minority shareholder of a subsidiary wholly repayable within five years	**6**	10
Interest on notes	**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	**13**	17
Fair value change on cross currency interest rate swap	**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.

7. Taxation

	2008 RMB'million	2007 RMB'million
PRC Enterprise Income Tax		
Current taxation		
- Provision for the year	**316**	650
Deferred taxation		
- 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

7. 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, borrowing costs and the relevant property development expenditures.

During the year ended 31 December 2008, the Group has revised the cost allocation of 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 of 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.

8. 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.

9. 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

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

10. Accounts receivable, deposits and prepayments

	2008	2007
	RMB'million	RMB'million
Non-current accounts receivable comprise:		
Receivables from sales of properties	**283**	272
Deferred rental receivables	**46**	40
	329	312

Current accounts receivable (net of allowance for bad and doubtful debts) aged analysis:

	2008	2007
	RMB'million	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
Consideration receivable on partial disposals of equity interests in subsidiaries	**339**	1,136
Prepayments of relocation costs	**474**	558
Deposit for land acquisition	**-**	1,200
Other deposits, prepayments and receivables	**94**	252
	1,170	3,477

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.

11. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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^	Total GFA sold	Average selling price	Group's interest
		RMB'million	(sq.m.)	(RMB/sq.m.)	
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**	**Sold and formal sale and purchase agreements signed in 2008**	**Have and will be made available for sale and pre-sale in 2009**	**Sold in the first quarter of 2009 subject to formal sale and purchase agreements**	**Available for sale and pre-sale in 2009 and beyond**
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(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 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:

	Leasable GFA (sq.m.)				**Occupancy rate**		
Project	**Office**	**Retail**	**Hotel/ serviced apartments/ clubhouse**	**Total**	**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 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**		**Group’s**
Property development held for sale:	**2008**	**2009**	**2010**	**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 (Lot 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 (sq.m.)	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.*

Property development held for investment:	Leasable GFA (sq.m.) (rounded to the nearest thousand) Completed 2008 Office	Retail	To be completed 2009 Office	Retail	2010 Office	Retail	Hotel	Group's interest
Shanghai Taipingqiao, Casa Lakeville (Lot 113)	-	-	-	-	-	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 (sq.m.)		**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.

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.)	Resident-ial (sq.m.)	Hotel/ serviced apartments/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	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
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 landbank 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.*

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**	**Attributable profits**
			RMB'million	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.

Market Outlook

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. 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, 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, as well as 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.

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 equivalent)	Due within one year	Due more than one year but not exceeding two years	Due more than two years but not exceeding five years	Due more than five years
		RMB'million	RMB'million	RMB'million	RMB'million	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 RMB 480 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.

DIVIDENDS

The Directors recommend the payment of a final dividend for the year ended 31 December 2008 of HK$0.01 (2007: HK$0.10) 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 Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 May 2009 to 4 June 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed bonus issue of shares and final dividend payable on 30 June 2009 and to determine who are entitled to attend the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by registration not later than 4:30 p.m. on 27 May 2009.

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 enhancing its corporate governance practices appropriate to the conduct and growth of its business and to reviewing its corporate governance practices from time to time to ensure they comply with the Code on Corporate Governance Practices (the "CG Code" contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) and align with the latest developments.

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.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2008.

To comply with the code provision A.5.4 of the CG Code, the Company established and adopted in March 2007 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 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 of these written guidelines by the relevant employees was noted by the Company.

Board Composition

During the year ended 31 December 2008, the majority of the members of the Board 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.

Audit Committee

During the year ended 31 December 2008, the Audit Committee consists of three members, namely Professor Gary C. BIDDLE ("Professor BIDDLE"), Dr. Edgar W. K. CHENG and Dr. Roger L. McCARTHY. All of them are INEDs. The chairman of the Audit Committee is Professor BIDDLE.

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.

Remuneration Committee

During the year ended 31 December 2008, the Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. Vincent H. S. LO ("Mr. LO") and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. 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.

Compliance with Code on Corporate Governance Practices

During the year ended 31 December 2008, the Company has complied with the code provisions of the CG Code except for the following deviation:

Code provision A.2.1: The roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual.

Mr. 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. LO in the business development efforts of the Company. This vesting provides strong and consistent market leadership and is critical for 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.

Other than the above, the Company has also performed the following in furtherance to those corporate governance principles and practices as set out under the CG Code during the year ended 31 December 2008:

1. To enhance the 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 has provided a useful forum to exchange views with the Board.

2. 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 a chance to discuss with senior management of the Company on a face-to-face dialogue. This session was well attended by shareholders. There were sharing of the latest business initiatives and long-term development strategy of the Company and answering of shareholders’ questions.

3. In January 2008, the Company has officially distributed its Code of Conduct and Business Ethics (the “Code”) to all of its staff for their acknowledgement. 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. The Code now serves as guidelines for Directors and staff on how to deal with conflicts of interest situations, business activities and relationship, and financial dealings.

Further information on the Company’s corporate governance practices during the year under review will be set out in the corporate governance report to be contained in the Company’s 2008 annual report which will be sent to the shareholders of the Company before the end of April 2009.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2008, the number of employees in the Group was 1,493 (31 December 2007: 1,182); the headcount of the property management business acquired during the year was 975. The Group provides a comprehensive benefit package and career development opportunities, employees are rewarded on a performance-related basis. Other staff benefits include provident fund schemes, share option scheme, medical insurance, in-house training and subsidies for job-related seminars, and programmes organised by professional bodies and educational institutes.

The Company strongly believes in the principle of equality of opportunity and reward for staff. The remuneration policy is embracing the value of diversity of workforce and encouraging all staff to use their skills, knowledge and creativity to achieve excellence.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet at 31 December 2008, and the consolidated income statement and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

I would like to take this opportunity to thank our colleagues for all their hard work and dedication over the past year. The satisfactory results that we have achieved would not have been possible without them. Although 2009 will still be tough, I am confident that we will emerge from this financial turmoil stronger than ever. To our shareholders, I thank you for your continued support. We shall continue to do our best deliver on all our promises to you.

By order of the Board
Vincent H. S. LO
Chairman

Hong Kong, 16 April 2009

** For identification purposes only*

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman and Chief Executive Officer), Mr. Louis H. W. WONG and Mr. Aloysius T. S. LEE; the non-executive director of the Company is The Honourable LEUNG Chun Ying; and the independent non-executive directors of the Company are Sir John R. H. BOND, Dr. Edgar W. K. CHENG, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW.