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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 2009 Annual Results

HIGHLIGHTS

- Turnover increased by 2.3 times to RMB6,758 million and property sales by 3.2 times to RMB6,078 million. Contracted property sales of 266,900 sq.m. amounted to RMB6,161 million.
- Rental and affiliated income from investment properties increased by 8% to RMB643 million. Leasable GFA increased to 310,000 sq.m..
- Gross profit margin was 52%.
- Profit attributable to shareholders increased by 49% to RMB2,673 million.
- Basic earnings per share was RMB0.55, an increase of 41%.
- Recommend a final dividend of HK$0.12 per share
- Net gearing ratio remained at a healthy level of 23%.

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 2009 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2009**		Year ended 31 December 2008 (Restated)	
		HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Turnover	*4*	**7,670**	**6,758**	2,289	2,066
Cost of sales		**(3,665)**	**(3,229)**	(1,139)	(1,028)
Gross profit		**4,005**	**3,529**	1,150	1,038
Other income		**193**	**170**	379	342
Selling and marketing expenses		**(171)**	**(151)**	(149)	(134)
General and administrative expenses		**(616)**	**(543)**	(772)	(697)
Operating profit	*5*	**3,411**	**3,005**	608	549
Increase in fair value of investment properties		**608**	**536**	423	382
Gain on acquisition of additional equity interests in subsidiaries		**7**	**6**	-	-
Gain on partial disposals of equity interests in subsidiaries		**-**	**-**	2,086	1,883
Share of results of associates		**495**	**436**	49	44
Finance costs, net of exchange gain	*6*	**(101)**	**(89)**	(147)	(133)
Profit before taxation		**4,420**	**3,894**	3,019	2,725
Taxation	*7*	**(1,477)**	**(1,301)**	(728)	(657)
Profit for the year		**2,943**	**2,593**	2,291	2,068
Attributable to:					
Shareholders of the Company		**3,034**	**2,673**	1,992	1,798
Non-controlling interests		**(91)**	**(80)**	299	270
		2,943	**2,593**	2,291	2,068
Earnings per share	*9*				
Basic		**HK$0.63**	**RMB0.55**	HK$0.43	RMB0.39
Diluted		**HK$0.63**	**RMB0.55**	HK$0.43	RMB0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2009		Year ended 31 December 2008 (Restated)	
	HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Profit for the year	**2,943**	**2,593**	2,291	2,068
Other comprehensive income (expense)				
Exchange difference arising on translation of foreign operations	**(21)**	**(19)**	(2)	(2)
Fair value adjustments on interest rate swaps designated in cash flow hedges	**51**	**45**	(151)	(136)
Fair value adjustments on cross currency interest rate swaps designated in cash flow hedges	**-**	**-**	(175)	(158)
Reclassification of fair value adjustments on cross currency interest rate swaps designated in cash flow hedges	**-**	**-**	115	104
Residual balance of hedge reserve in relation to cross currency interest rate swaps recognised in consolidated income statement upon the maturity of the notes	**-**	**-**	153	138
Other comprehensive income (expense) for the year	**30**	**26**	(60)	(54)
Total comprehensive income for the year	**2,973**	**2,619**	2,231	2,014
Total comprehensive income attributable to:				
Shareholders of the Company	**3,064**	**2,699**	1,932	1,744
Non-controlling interests	**(91)**	**(80)**	299	270
	2,973	**2,619**	2,231	2,014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2009 RMB'million**	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Non-current assets				
Investment properties		**21,206**	8,466	7,994
Property, plant and equipment		**356**	343	260
Prepaid lease payments		**43**	6,290	4,325
Properties under development		**-**	2,411	1,734
Interests in associates		**862**	296	85
Loans to associates		**1,273**	1,331	981
Accounts receivable	*10*	**59**	329	312
Pledged bank deposits		**1,222**	694	237
Deferred tax assets		**139**	146	124
Defined benefit assets		**-**	4	6
		25,160	20,310	16,058
Current assets				
Properties under development for sale		**11,532**	7,786	6,281
Properties held for sale		**627**	3,090	906
Accounts receivable, deposits and prepayments	*10*	**933**	941	3,215
Loans receivable		**378**	414	240
Amounts due from associates		**147**	450	12
Amounts due from related parties		**73**	62	44
Amounts due from non-controlling shareholders of subsidiaries		**17**	176	6
Early redemption rights on notes		**-**	-	11
Pledged bank deposits		**797**	1,015	617
Bank balances and cash		**2,928**	1,671	2,843
		17,432	15,605	14,175
Current liabilities				
Accounts payable, deposits received and accrued charges	*11*	**4,305**	4,418	2,581
Amounts due to related parties		**69**	33	39
Amounts due to associates		**45**	-	-
Amounts due to non-controlling shareholders of subsidiaries		**475**	758	876
Loan from a non-controlling shareholder of a subsidiary		**442**	199	100
Tax liabilities		**1,404**	739	1,514
Bank borrowings – due within one year		**2,098**	1,953	1,514
Notes – due within one year		**-**	-	2,667
Derivative financial instruments designated as hedging instruments		**-**	-	323
		8,838	8,100	9,614
Net current assets		**8,594**	7,505	4,561
Total assets less current liabilities		**33,754**	27,815	20,619

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**31 December 2009 RMB'million**	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Capital and reserves				
Share capital	*12*	**99**	84	84
Reserves		**21,480**	16,779	15,544
Equity attributable to shareholders of the Company		**21,579**	16,863	15,628
Non-controlling interests		**995**	1,312	776
Total equity		**22,574**	18,175	16,404
Non-current liabilities				
Bank borrowings – due after one year		**8,105**	6,245	2,891
Derivative financial instruments designated as hedging instruments		**211**	256	-
Loans from non-controlling shareholders of subsidiaries		**670**	670	93
Loan from a director		**-**	567	-
Deferred tax liabilities		**2,192**	1,902	1,231
Defined benefit liabilities		**2**	-	-
		11,180	9,640	4,215
Total equity and non-current liabilities		**33,754**	27,815	20,619

Notes to the consolidated financial statements:

1. General

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 Hong Kong dollar figures presented in the consolidated income statement and consolidated statement of comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.135 for 2009 and RMB1.000 to HK$1.108 for 2008, being the average exchange rates that prevailed during the respective years.

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 and revised International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referred to as "new and revised IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1 January 2009.

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

<u>New and revised IFRSs affecting presentation and disclosures only</u>

<u>IAS 1 (Revised) Presentation of Financial Statements</u>
IAS 1 (Revised) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

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

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

3. Application of new and revised International Financial Reporting Standards (Continued)

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

IFRIC 15 Agreements for the Construction of Real Estate

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

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

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

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

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

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

3. Application of new and revised International Financial Reporting Standards (Continued)

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

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

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

	Year ended 31 December	
	2009	2008
	RMB	RMB
Impact on basic and diluted earnings per share		
Reported figure before adjustments	**0.39**	0.59
Adjustments arising from issuance of bonus shares (note 8)	**-**	(0.05)
Adjustments arising from change in accounting policy	**0.16**	(0.15)
As restated	**0.55**	0.39

IFRSs (Amendments) Improvements to IFRSs issued in 2008

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

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

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

3. Application of new and revised International Financial Reporting Standards (Continued)

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

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

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

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

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

3. Application of new and revised International Financial Reporting Standards (Continued)

Standards and Interpretations in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 July 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 January 2013.

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

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

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

4. Turnover and segmental information

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

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

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

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

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

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

4. Turnover and segmental information (Continued)

	Year ended 31 December 2009			
	Property development RMB'million	**Property investment RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
TURNOVER				
Segment revenue	**6,078**	**643**	**37**	**6,758**
RESULTS				
Segment results	**2,757**	**962**	**8**	**3,727**
Interest income				**149**
Gain on acquisition of additional equity interests in subsidiaries				**6**
Share of results of associates				**436**
Finance costs, net of exchange gain				**(89)**
Net unallocated expenses				**(335)**
Profit before taxation				**3,894**
Taxation				**(1,301)**
Profit for the year				**2,593**

	Year ended 31 December 2008 (Restated)			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
TURNOVER				
Segment revenue	1,449	593	24	2,066
RESULTS				
Segment results	337	824	14	1,175
Interest income				227
Gain on partial disposals of equity interests in subsidiaries				1,883
Share of results of associates				44
Finance costs, net of exchange gain				(133)
Net unallocated expenses				(471)
Profit before taxation				2,725
Taxation				(657)
Profit for the year				2,068

5. Operating profit

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

6. Finance costs, net of exchange gain

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

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

7. Taxation

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
People’s Republic of China ("PRC") Enterprise Income Tax		(Restated)
Current taxation	**537**	135
Deferred taxation		
- Provision for the year	**297**	173
- Overprovision in prior year	**-**	(87)
	297	86
PRC Land Appreciation Tax		
- Provision for the year	**467**	90
- Underprovision in prior year	**-**	346
	467	436
	1,301	657

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% (2008: 25%) on the assessable profits of the companies in the Group during the year.

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

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

8. Dividends

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

A final dividend for the year ended 31 December 2009 of HK$0.12 (equivalent to RMB0.11) per share, amounting to HK$603 million (equivalent to RMB530 million) in aggregate, was proposed by the Directors and is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 27 May 2010. Subject to the approval of the shareholders and the Stock Exchange of Hong Kong Limited, the proposed final dividend will be payable in cash and shareholders will be given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash.

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

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

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

In June 2008, a final dividend in respect of 2007 of HK$0.10 (equivalent to RMB0.089) per share was paid to the shareholders.

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:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Earnings		(Restated)
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**2,673**	1,798

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

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

Notes:

(a) There are no dilution effects for share options granted as the exercise price of these share options granted were higher than the average market price for 2009 (2008: Other than the share options granted on 3 November 2008, there were no dilution effects for other share options granted as the exercise price of these share options granted were higher than the average market price for 2008).

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.135 for 2009 and RMB1.000 to HK$1.108 for 2008, being the average exchange rates that prevailed during the respective years.

10. Accounts receivable, deposits and prepayments

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

Current accounts receivable comprise:

Trade receivables (net of allowance for bad and doubtful debts) with aged analysis:

	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Not yet due	**172**	25	22
Within 30 days	**5**	6	4
31 - 60 days	**3**	-	23
61 - 90 days	**2**	-	1
Over 90 days	**4**	3	19
	186	34	69
Consideration receivable on partial disposals of equity interests in subsidiaries	**-**	339	1,136
Prepayments of relocation costs	**483**	474	558
Deposit for land acquisition	**-**	-	1,200
Other deposits, prepayments and receivables	**264**	94	252
	933	941	3,215

Trade receivables comprise:

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

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

11. Accounts payable, deposits received and accrued charges

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

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

12. Share Capital

	Authorised		Issued and fully paid	
Ordinary shares of US$0.0025 each	Number of shares	US$'000	Number of shares	US$'000
At 1 January 2008 and 31 December 2008	12,000,000,000	30,000	4,185,597,171	10,464
Issue of bonus shares (note 8)	-	-	418,559,717	1,046
Issue of new shares	-	-	418,500,000	1,046
At 31 December 2009	**12,000,000,000**	**30,000**	**5,022,656,888**	**12,556**

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

Property Sales

Recognised sales

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

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

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

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

1 *Agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.*
2 *ASP of Chongqing is based on net floor area, a common market practice in the region.*

Contracted Sales

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

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

[1] *Agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.*
[2] *ASP of Chongqing is based on net floor area, a common market practice in the region.*

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

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

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

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

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

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

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

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

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

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

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

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

Chongqing Tiandi and Wuhan Tiandi have been contributing cash flow and profit to the Group since 2007. In 2009, contracted sales of these two projects increased by 155% to reach RMB1,301million from RMB511 million in 2008, and GFA sold also increased significantly by 240% to 145,000 sq.m. in 2009 from 42,700 sq.m. the year before. The first phase of Foshan Lingnan Tiandi is under construction and will be launched in 2010. Going forward, these projects are expected to play a more important role in the Group's operations and as profit contributors in the medium term.

<u>Lock-in Sales carried forward to 2010 and 2011</u>

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

<u>Properties available for sale in 2010</u>

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

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

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

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

Investment Properties

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

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

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

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

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

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

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

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

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

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

Valuable investment property portfolio

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

Strategic Partnership

Strategic partnership continues to be one of pillars of the Group’s long-term business strategies to give synergies to the project developments. In July 2009, the Group entered into an agreement with Redevco, a renowned retail real estate operator in Europe with EURO7.2 billion assets under management. The cooperation agreement involved the construction and operation of a commercial podium of 100,000 sq.m. in Wuhan Tiandi.

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

Property Development - Accelerating Development

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chongqing Tiandi
Construction works in Phase 2 of Chonging Tiandi - the Riviera have commenced construction and are estimated to be ready for delivery in 2011 and 2012. Construction works of Chongqing Tiandi Commercial with a total GFA of 52,000 sq.m. have been substantially completed. A soft opening was held in January 2010 with the grand opening scheduled in mid-2010. Construction works of a grade A office tower phase 1 with a GFA of 115,000 sq.m. were commenced in late 2009.

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

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

Landbank

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

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

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

Completed properties

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

Property under development

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

Property for future development

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

Land acquisitions

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

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

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

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

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

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

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

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

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

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

Market Outlook

The vigorous domestically driven economic growth recovery engineered by China last year has captured attention worldwide and is gaining further momentum on signs of a revival in the foreign trade sector. The IMF's recent revision of its China GDP growth forecast to 10.0% in 2010 exemplifies heightened optimism among forecasters regarding China's economic outlook. The central government is beginning to recalibrate policy in response to the improving domestic economic situation. In view of the fragile state of the global recovery, it is reported that the government will remain vigilant as it unwinds stimulus policies at a measured pace, while retaining flexibility to adjust its policy stance should circumstances dictate.

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

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

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

Shanghai is broadening its economic model by encouraging the development of innovation-related sectors encompassing technology research, architectural design, culture and fashion. Shanghai was awarded the title of "design city" in February 2010 by the United Nations Education, Scientific and Cultural Organisation. The Knowledge and Innovation Community is therefore ideally placed to serve this trend. Meanwhile, Shanghai is expecting domestic tourist numbers to increase by 45% to 180 million this year, in addition to 7 million overseas visitors, as it hosts the Expo 2010, providing ample business for the top class restaurants, bars, shops and boutiques located at our Xintiandi development. Neighbouring city Hangzhou will stage the West Lake International Expo comprising a series of forums and exhibitions on World-Expo related themes. The Xihu Tiandi project, located on the West Lake, is a retail, leisure and lifestyle destination that is well placed to benefit from the influx of an estimated 10 million World Expo visitors to Hangzhou this year.

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

Financial Review

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Structure, Gearing Ratio and Funding

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

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

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

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

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

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

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

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

Pledged Assets

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

Capital and Other Development Related Commitments

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

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

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

Future Plans for Material Investments and Sources of Funding

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

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

Cash flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

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

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

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

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

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

FINAL DIVIDEND

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

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2010 to 27 May 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, 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 for registration not later than 4:00 p.m. on 19 May 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company is committed to 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 Listing Rules) 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 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 during the year ended 31 December 2009.

To comply with the code provision A.5.4 of the CG Code, the Company has 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 Composition

During the year ended 31 December 2009, the majority of the members of the Board of Directors of the Company were Independent Non-executive Directors ("INEDs"). The Board is currently made up of ten members in total, with three Executive Directors, one Non-executive Director and six INEDs.

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

Audit Committee

During the year ended 31 December 2009, 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 2009, 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 2009, 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 2009, 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 established two more committees of the Board in furtherance of corporate governance practices during the year ended 31 December 2009:

1. Nomination Committee

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

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

2. Finance Committee
The Board also established a Finance Committee on 16 April 2009. The Finance Committee was also constituted in April 2009 with well defined terms of reference which stipulates and monitors financial strategies, policies and guidelines of the Group. At present, the Finance Committee comprises six members, Mr. LO, Sir John R.H. BOND, Dr. FUNG, Professor BIDDLE, Mr. Louis H. W. WONG, and Mr. Daniel Y. K. WAN. Sir John R. H. BOND, Dr. FUNG and Professor BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. LO.

Both detailed terms of reference of the Nomination Committee and the Finance Committee are posted in the "Corporate Governance" section of the Company's website, and are available for public inspection.

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 2009 annual report which will be sent to the shareholders of the Company before the end of April 2010.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2009, the number of employees in the Group was 1,402 (31 December 2008: 1,493); the headcount of the property management business acquired in 2008 was 1,114 (31 December 2008: 975). The Group provides a comprehensive benefit package for all employees as well as career development opportunities. Other staff benefits include provident fund schemes, a share option scheme, medical insurance, in-house training, subsidies for job-related seminars, and programmes organised by professional bodies and educational institutes.

The Group strongly believes in the principle of equality of opportunity and of reward for all staff. The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competency displayed in achieving the corporate goals.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as of 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income 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.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Taking into consideration the amendments to the Listing Rules on the use of a website for communication with shareholders, the Board proposes to amend the articles of association of the Company (the "Articles of Association") to the effect that the Company will be allowed to send any notice or document to a shareholder by placing it on the Company's website provided that the Company has obtained either (1) the shareholder's prior express positive confirmation in writing or (2) the shareholder's deemed consent in the manner specified in or permitted under the Listing Rules. Consequential changes to the Articles of Association are also proposed in relation to the service of notices to the shareholders. In addition, to allow greater administrative flexibility, the Board also proposes to amend the Articles of Association in relation to the procedures for the appointment of chairman at the Company's general meeting.

The proposed amendments to the Articles of Association are subject to the approval of the shareholders by way of a special resolution at the annual general meeting of the Company to be held at Concord Room I, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Thursday, 27 May 2010 at 3:00 p.m. A circular containing, among other things, details of the proposed amendments to the Articles of Association will be dispatched to shareholders as soon as practicable.

APPRECIATION

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

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

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

By Order of the Board
Shui On Land Limited
Vincent H. S. LO
Chairman

Hong Kong, 15 April 2010

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. Daniel Y. K. WAN; 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.

** For identification purposes only*