# SHIMAO PROPERTY HOLDINGS LIMITED
# 世 茂 房 地 產 控 股 有 限 公 司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 813)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

### HIGHLIGHTS

1. Revenue was RMB17.03 billion, an increase of 137% compared with 2008.

2. Gross profit increased by 82% to RMB5.88 billion (2008 : RMB3.23 billion). The 2009 gross profit margin was improved from 1st half's 29% to 35%.

3. Profit attributable to shareholders increased significantly by 317% to RMB3.51 billion. Stripping out major non-cash items and one off gains, net profit from core business attributable to shareholders amounted to RMB2.77 billion, an increase of 150% compared with 2008.

4. Basic earnings per share is RMB101.7 cents, which represents a significant increase of approximately 3 times over 2008.

5. Net gain (after tax) of RMB936 million resulted during 2009 after a series of injection of commercial projects and commerical property into Shanghai Shimao (a company listed on the Shanghai Stock Exchange).

6. Revenue from hotels and investment properties decreased by 10% to RMB853 million, mainly due to the global financial crisis that led to a decline in the number of visitors.

7. During the year, the Group acquired eleven land parcels with a total planned GFA of 6.4 million sq.m.. This boosted the Group's land reserve to 32.4 million sq.m..
8. The board proposed a final dividend of HK23 cents per share. Together with the interim dividend of HK10 cents, total dividend declared for the year was HK33 cents per share, an increase of 154% compared with last year.
9. As of end of 2009, fundings at the group's deployment amounted to RMB12.7 billion, including cash on hand and restricted cash of RMB7.5 billion and unutilized banking facilities of RMB5.2 billion.
10. Net gearing ratio as at end of 2009 was 51.9% (2008: 65.7%).

## CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual results of Shimao Property Holdings Limited ("Shimao Property" or the "Company" and together with its subsidiaries, the "Group") for the year ended 31 December 2009.

### 2009 Annual Results

Looking back 2009, while the global economy suffered from widespread malaise brought about by the financial crisis, China's economy by contrast continued to deliver solid performance. With RMB4 trillion invested by the government to boost the economy, China's GDP grew 8.7%. China's real estate market even experienced a dramatic recovery in 2009, seeing recovery, rebound and new highs in less than one year's time. 2009 marked the 20th anniversary of Shimao Property's entering China's real estate market and the 3rd anniversary of its listing in Hong Kong. During the unfavourable time, the Company remained prudent and reserved its resources. When signs of recovery were seen, the Company seized the opportunities and achieved excellent results in return. The Company steadily expanded, leveraging our outstanding management and accurate judgment of the market. The annual contracted sales achieved a new high again.

During the year under review, we reported realized revenue of RMB17.03 billion, representing an increase of 137% over 2008. The Group successfully completed the commercial projects reorganization and made a historical move to enter into the A-share market, realizing an one-off after tax exceptional gains of RMB936 million. Operating profit increased by 182% to approximately RMB6.0 billion. Profit attributable to shareholders amounted to RMB3.51 billion, significantly up 317%

over that of previous year. Excluding after tax effect of major non cash items: fair value gains on the investment properties, one-off gains of A-Share restructuring of Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), depreciation and amortization, and goodwill of a total of RMB737 million, core profit attributable to shareholders amounted to approximately RMB2.77 billion, representing a year-on-year increase of 150%.

As a token of gratitude to our shareholders' long-term support, the board of directors (the "Board") recommended the payment of a final dividend of HK23 cents (2008: HK13 cents) per share for the year ended 31 December 2009. The dividend payout ratio was approximately 37% of cash profit. The Company will maintain a consistent and stable dividend policy and will fix a reasonable level of percentage for annual dividend distribution. The Board will take into consideration of various factors such as the Group's profit, cash flow, capital requirements and other factors as deemed relevant when deciding the annual dividend proposal.

**Market Review and Outlook**

2010 signifies the beginning of Shimao Property's third decade in China, and it is also a year full of uncertainties. To rein in soaring land and property prices, the central government has been issuing a series of regulatory measures since end of last year, resulting in tightened overall control over land supply, tax and credits. The People's Bank of China has so far raised the reserve requirement ratio by 0.5%. Rate hike expectations are also getting higher. These all signal tightening credit in 2010, which in turn means another significant challenge to real estate enterprises' capital chain. Wen Jiabao, Premier of the State Council, stated in the 2010 government work report that the government will promote the healthy and stable development of the property market, curb the precipitous rise of housing prices in some cities, improve the methods for managing and using income from land, keep land prices from rising too fast, rein in speculative home purchases, and support self-use house consumption. Such measures set the rational and clear direction for the long-term development of the industry.

China is undergoing an unprecedented urbanization process. At present, China's urbanization ratio is approximately 47%. According to the central government's road map, the urbanization ratio will rise to 60% by 2020, and if so, it is estimated that a rural population of over 100 million will become urban population in the coming 10 years. The huge solid demand resulted from such conversion, coupled with the fact that land supply in China is limited, will be a big boost for the real estate market.

Looking ahead to 2010, we see opportunities as well as challenges. We need to be well prepared for all our work, fully implement our "standardization and refinement" management strategy, enhance the Group's each and every competitiveness, and closely monitor macroeconomic policies and changes in the market. We strongly believe that a strong financial position, prudent land bidding strategy and outstanding management will be the foundation for sustainable development for all real estate enterprises. We will take the opportunity to further enhance our sales to meet our target of achieving RMB30 billion of contracted sales in 2010. In the hotel property and commercial property businesses, the Group believes that the upcoming World Expo 2010 in Shanghai will boost our hotel property and commercial property businesses and thus we are optimistic about their future performance.

In such a rapidly changing global economy, we must have deep insight into and be responsive to the market so that we will not let any opportunities slip through our fingers and be able to manage and deal with any risks. Despite the unpredictable policy conditions and market conditions in 2010, the Group will ensure the achievement of its operational targets by closely watching and analyzing the market trends and responding to them in a timely manner.

**A Stronger Sense of Social Responsibility and Higher Involvement in Charitable Activities**

The Group always ties its profit-making goals to its social responsibility. While we are achieving the goal of making stable profit and sustainable operations, we are committed to our social responsibility by actively contributing to a harmonious society, maintaining the Group's positive social image and promoting its sustainability.

In 2009, the Group ranked one of the Hurun Corporate Social Responsibility Top Fifty 2009 (胡潤企業社會責任50強) and Beijing Ten Best Social Responsibility Performing Real Estate Enterprises (北京履行社會責任十佳房地產企業) and clinched other awards. In December, Shimao Property was named as a National Star Overseas Chinese Enterprise (全國明星僑資企業) by the Overseas Chinese Affairs Office of the State Council (國務院僑辦) for the third time and was ranked the first, thus fully demonstrating the leading and modeling roles of the Group among the overseas Chinese enterprises.

Over the past many years, Shimao Property has been actively involved in charitable activities in the society. In 2009, the Group made a contribution of over RMB6 million to Shanghai Charity Foundation (上海市慈善基金會) alone. Meanwhile, the construction of the first 60 Shimao Caring Hospitals (世茂愛心醫院) have been completed on the whole and they will commence service in turn. 40 Shimao Caring Hospitals are being constructed. The Group's charity initiatives were recognized by the society and it ranked number six in the China Charity List (中國慈善榜), won the Charity Special Contribution Award (特別貢獻獎) of the China Charity Award (中華慈善獎), the highest charity award in China, and other recognitions.

**Explore a New Way of Construction — Go Green Ecological Architecture**

Facing the worsening global climate crisis, a low-carbon development strategy and construction of low-carbon communities are not only the social responsibility of the whole real estate industry, but also a must-go way for the sustainable development of the real estate industry.

Adhering to its "harmony in architecture and environment" development philosophy, Shimao Property is actively involved in developing and constructing ecological buildings and will make it our new corporate development direction. Apart from implementing the principles of environmental protection, energy-saving and low carbon emission in our planning and design work, Shimao Property also takes part in the design of Sino-Singapore Tianjin Eco-City (天津中新生態城). With an aim making it a landmark project as our first ecological city and model project, we will apply the most advanced and innovative ecological technologies available to make it the standard and a role model for ecological architecture and zero-carbon life development for China and the world.

**Appreciation**

On behalf of the Board, I would like to thank our shareholders, partners, local governments and customers for their tremendous support. At the same time, I would like to take this opportunity to express my heartfelt gratitude to our directors, management and staff for their enormous contribution. Their support has enabled the Group to achieve its success and goals.

**Hui Wing Mau**
**Chairman**
Hong Kong, 13 April 2010

## MANAGEMENT DISCUSSION & ANALYSIS

### Overview

### Market Review

During the year under review, the overall operating environment of the China's real estate market improved due to a stable economic growth. A great deal of the pented up purchasing power was released since the second quarter, thus drove prices up. In 2009, the areas sold and the sales of commercial property in China were 937 million sq.m. and RMB4,400 billion respectively, representing a growth 42% and 75% over 2008 respectively. The average selling price was RMB4,695 per sq.m., representing an increase of 21% over 2008. In 2009, the investment in real estate development in China was approximately RMB3,600 billion, representing a growth of 16% over 2008, which was lower than the average growth rate of 25% since 2000 by only 9 percentage points.

According to the information published by the Ministry of Land and Resources on 2 February 2010, the total land grant fees in China in 2009 was RMB1,590 billion, representing a year on year increase of 63% and accounting for 23% of the fiscal income of the central government. In addition, the average price of the top ten residential sites of the highest transaction prices in 2009 was RMB7.5 billion, representing a growth of 45% as compared to 2008. The average price of the top ten of the highest floor prices was over RMB26,000 per sq. m., representing a growth of 60% as compared to 2008. Meanwhile, the major property enterprises speeded up building up their land bank. In 2009, the top twenty enterprises in terms of new land bank built up a new land bank over 45 million sq.m. in the aggregate.

In our opinion, the economic stimulus packages introduced in China at the end of 2008, the real property related policies introduced by the central government and the governments at all levels, and the moderately loose monetary policy significantly contributed to the rapid recovery and rebound of the real property market in 2009.

### Business Review

#### *Property Development*

1) **Recognized sales revenue**

   The turnover of the Group mainly included the businesses of property development, property investment and hotel operations. In 2009, the turnover of the Group increased by 137% to RMB17.03 billion from RMB7.20 billion in 2008.

During the year, property sales revenue was RMB16.18 billion, accounting for 95% of total revenue and representing a growth of 159% over 2008. The average recognized selling price (including sales of associated companies) decreased to RMB8,507 per sq.m. in 2009 by 7% from RMB9,119 per sq.m. in 2008. The decrease in the average recognized selling price was due to the sales of the projects of second-tier cities accounting for a much higher proportion in the sales of the Group in 2009, despite the higher unit price year on year in the sales of individual projects.

In 2009, projects recognized by the Group totalled 23, representing an increase over the 15 projects in 2008. Among which, recognized sales revenue from Shanghai Shimao Riviera Garden, Fuzhou Shimao Skyscrapers, Hangzhou Shimao Riviera Garden, Changzhou Shimao Champagne Lakeside Garden, Wuhan Shimao Splendid River, Harbin Shimao Riviera New City and Kunshan Shimao East No. 1 New City amounted to over RMB1 billion respectively. The total sales revenue of the above 7 projects accounted for approximately 62% of the total sales revenue of the Group.

2) **Robust Sales Growth Surpassing Annual Sales Target**

In 2009, contracted sales of the Group amounted to RMB22.5 billion, representing a growth of 90% year-on-year. Total contracted sales area reached 2.5 million sq.m., representing an increase of 98% year-on-year. Of the 24 projects were available for sale by the Group in 2009, the actual number of sales contracts executed for 18 projects exceeded the respective targets. Among which, sales revenue of 11 projects, including Shanghai Shimao Riviera Garden, Fuzhou Shimao Skyscrapers, Hangzhou Shimao Riviera Garden, Suzhou Shimao Canal Scene, Kunshan Shimao Butterfly Bay, Beijing Shimao Gongsan Plaza, Ningbo Shimao World Gulf, Shaoxing Shimao Dear Town, Wuhan Shimao Splendid River, Harbin Shimao Riviera New City and Changshu Shimao The Center exceeded RMB1 billion respectively. A large amount of projects available for sale and the encouraging sales performance served to accelerate the recovery of funds by the Group and bring about a positive cycle for its value chain.

The Group expects to launch 38 projects in 2010, including Kunshan Shimao East No. 1 New City, Wuhan Shimao Splendid River, Harbin Shimao Riviera New City, Ningbo Shimao World Gulf, Hangzhou Shimao Riviera Garden, Kunshan Shimao Butterfly Bay, Xuzhou Shimao Dongdu, Suzhou Shimao Canal Scene, Shaoxing Shimao Dear Town, Dalian Lvshunkou Shimao Project, Changshu Shimao The Center, Beijing Shimao Gongsan Plaza, Yantai Shimao No. 1 The Harbour, Shenyang Shimao Wulihe, Mudanjiang Shimao Project, Tianjin Shimao Ecology City Project, Chengdu Shimao Project, Jiaxing Shimao

Century Garden, Hangzhou Shimao Yuhang Project (50%), Nanjing Shimao Bund New City, Wuxi Shimao Project and Shanghai Shimao Emme County. This will increase saleable area by approximately 3.66 million sq.m., which, together with the available for sale inventory carried forward of approximately 658,000 sq.m., will boost the Group's total saleable GFA during 2010 to 4.3 million sq.m..

3) **Development Projects and Plans Progressing on Schedule**

The total GFA completed by the Group in 2009 amounted to approximately 2 million sq.m., representing an increase of 11% over 2008. During the year, smooth progress was made in the Group's projects across the country, with new floor area under construction amounting to 5.9 million sq.m.. As at 31 December 2009, the Group has a total of 35 projects under development across 22 cities. The increase in the number of projects under construction laid a solid foundation for the future development of the Group.

Looking forward to 2010, the floor area planned to be completed by the Group is approximately 3.1 million sq.m., representing a growth of 55% over 2009. The Group's total area under construction in 2010 amounted to 10 million sq.m.. The planned increase in development projects mainly corresponds to the increase in the floor area due for delivery in 2010, which ultimately serves to sustain the growth momentum in the Group's turnover. Nevertheless, the Group would adjust its target should there be any material changes in the market sentiment.

4) **Steady Expansion of Land Bank Reserve Ensuring Sustainable Development**

Shimao Property as a real estate developer has earned a reputation for its unparalleled expertise in identifying sites with great potential for development. The Group's strategy to acquire high quality and large parcels of lands at reasonable costs has endowed it with competitive advantage over industry counterparts. Against the backdrop of dim market outlook in 2009, the Group was quick to adjust its strategy by actively acquiring lands in the Yangtze River Delta Region, Bohai Bay Region, West Coast of the Straits and other regions/cities with rapid economic growth, thereby securing the development rights of numerous parcels of land.

As at the end of 2009, Shimao Property has a land bank reserve of 32.4 million sq.m., ranked among the leading real estate developers with the largest land reserves in China. In terms of geographical distribution, the land parcels newly acquired by Shimao Property in 2009 are mainly situated in second-tier provincial cities with solid economic foundation and enormous development potential, and where real estate market has not yet reached saturation, such as

Hangzhou, Xiamen, Wuxi, Dalian, Qingdao, Wuhan and Chengdu, thereby ensuring room for development and capability to withstand risks for the relevant projects. In terms of gross floor area, the total planned GFA of the eleven parcels of land newly acquired by the Group in 2009 is approximately 6.4 million sq.m.. In terms of land price, the average accommodation value of the new land reserve acquired during the year was approximately RMB2,100 per sq.m.. The above figures highlighted the Group's approach to expand land bank reserve in a discreet manner and adherence to prudent management, thereby enabling it to strike a balance between achieving rapid development and managing risks effectively. The acquisition of large amount of high quality lands at low costs reinforced Shimao's core competitiveness and capability to withstand risks. As at the end of 2009, the Group's average land cost was RMB1,650 per sq.m.. The relatively low cost land helped ensure a higher profit margin in future.

***Property Investment***

During the year under review, turnover of the Group from leasing of investment properties amounted to RMB211 million, representing an increase of 17% over last year. Commercial properties of the Group continued to report satisfactory results and contribute stable return to the Group, reflecting the success of our property portfolio diversification strategy.

In 2009, Shimao Property has successfully completed the injection of commercial projects and commercial property into Shanghai Shimao, thereby acquiring a 64% equity interest in Shanghai Shimao. Through this reorganization, Shanghai Shimao has become Shimao Property's commercial property development vehicle.

The asset reorganization has provided Shanghai Shimao with the opportunity for profit enhancement and business expansion. At present, Shanghai Shimao has a land bank reserve of approximately 8 million sq.m., ranked top among the listed real estate developers in China with the largest land reserve for commercial usage, and was named among the "Top Ten Most Influential Real Estate Enterprises (Commercial category) in China 2009".

Shanghai Shimao has established long-term and stable co-operation relationship with over 380 quality business partners. Meanwhile, Shimao Department Store and Shimao International Studio, as the perfect complements to the product portfolio of Shanghai Shimao, will serve to further strengthen its industry chain of development and operation, consolidate its competitive advantage from diversification, and bring about new profit generator. Currently, the Shimao Department Stores in Fuzhou and Shenyang have commenced operations, while the Shimao Department Stores in

Yantai, Wuhu and Beijing will commence operations in the next two years. As for its cinema development plan, 15 Shimao International Studios will be built within three years with 100 new cinema screens, and will increase to 40 Studios with 300 new cinema screens within five years.

***Hotel Operations***

During the year under review, turnover of the Group's hotel business amounted to RMB642 million, representing a drop of 17% year-on-year; earnings before interest, tax, depreciation and amortization amounted to RMB195 million, representing a decrease of RMB70 million from 2008. The drop was attributable to the disappointing revenue of the three hotels operated by Shimao in Shanghai, as the global financial crisis has dealt a blow to Shanghai's luxury hotel industry. Nevertheless, the upcoming World Expo 2010 in Shanghai provides great opportunities for Shanghai's high-end hotel industry with booming potential demand. Meanwhile, we are optimistic about the global economic outlook and the future development of China's travel industry, and remain confident of the prospects of our hotel operations.

The three Shimao hotels currently operating in Shanghai saw a continued enhancement in brand awareness and recognition. As at the end of December 2009, Shimao offered a total of over 1,700 guest rooms and continued to command leading market share in Shanghai's international top-class hotel market. Apart from establishing long-term strategic co-operation relationship with internationally renowned hotel groups, the Group has successfully launched its self-operated "S-Suites" brand serviced apartments in 2009 to provide hotel-style services for strata-titled serviced apartments.

**Broadened funding sources ensuring sound financial position**

Adoption of a loose credit policy by the Central Government in 2009 helped provide a favorable market environment for the financing operation of Shimao Property. In addition to the granting of large credit facilities by China's Big Four state-owned banks, large and medium-sized joint-stock commercial banks and foreign-funded banks were also enthusiastic in extending credit facilities to the Group. The fund thus secured not only met the financing need of the Group's various projects, it also served as the funding pool for the on-going development of new projects and expansion of land bank reserve. Meanwhile, the extension of large credit facilities by banks at the time of global economic restructuring also demonstrated the banking sector's confidence in our long-term stable development.

Apart from striving to broaden its funding sources, the Group also reinforced its financial management by applying a combination of financial instruments, thereby enhancing the efficiency in fund utilization and liquidity to ensure steady and rapid corporate growth. As at the end of 2009, the Group has cash on hand and restricted cash of RMB7.5 billion. Moreover, the Group has adhered to prudent financial strategies by maintaining its net gearing ratio at a reasonable level of 51.9%, with a view to minimize financial risks.

**Financial Analysis**

Key consolidated income statement figures are set out below:

| | **2009** | **2008** |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Revenue | **17,032** | 7,196 |
| Gross profit | **5,883** | 3,232 |
| Operating profit | **5,999** | 2,129 |
| Profit attributable to shareholders | **3,511** | 841 |
| Earnings per share - Basic (RMB cents) | **101.7** | 25.6 |

**Revenue**

For the year ended 31 December 2009, the revenue of the Group was approximately RMB17.03 billion (2008: RMB7.20 billion), representing an increase of 137% over 2008. 95% (2008: 87%) of the revenue was generated from the sales of properties and 5% (2008: 13%) from hotel operation and leasing of commercial properties. The components of the revenue are analysed as follows:

| | **2009** | **2008** |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Sales of properties | **16,179** | 6,245 |
| Hotel operating income | **642** | 771 |
| Rental income from investment properties | **211** | 180 |
| Total | **17,032** | 7,196 |

(i) **Sales of properties**

Sales of properties for the year ended 31 December 2009 and 2008 are shown below:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | **Area (Sq.m.)** | ***RMB million*** | Area (Sq.m.) | *RMB million* |
| Beijing Shimao Olive Garden | **668** | **12** | 20,879 | 572 |
| Wuhan Shimao Splendid River (note 1) | **138,049** | **1,058** | 34,089 | 317 |
| Shaoxing Shimao Dear Town | **40,201** | **338** | 5,045 | 51 |
| Harbin Shimao Riviera New City | **236,554** | **1,044** | 126,278 | 557 |
| Changshu Shimao The Center | **141,721** | **845** | 119,209 | 854 |
| Kunshan Shimao Butterfly Bay | **99,127** | **602** | 77,060 | 608 |
| Shanghai Shimao Sheshan Villas | **11,104** | **456** | 24,714 | 1,166 |
| Shanghai Shimao Riviera Garden | **65,288** | **2,636** | 439 | 47 |
| Kushan Shimao East No. 1 New City | **194,967** | **1,011** | 61,556 | 322 |
| Hangzhou Shimao Riviera Garden | **156,230** | **1,311** | 61,793 | 493 |
| Shanghai Shimao Emme County | **67,030** | **590** | 5,092 | 42 |
| Wuhu Shimao Riviera Garden | **81,940** | **694** | 86,849 | 652 |
| Fuzhou Shimao Skyscrapers | **112,113** | **1,713** | 6,477 | 136 |
| Shenyang Shimao Wulihe | **20,539** | **194** | 1,681 | 68 |
| Suzhou Shimao Canal Scene | **104,878** | **760** | 57,556 | 359 |
| Jiaxing Shimao Century Garden | **58,154** | **229** | — | — |
| Changzhou Shimao Champagne Lakeside Garden | **163,279** | **1,232** | — | — |
| Nanjing Shimao Bund New City (note 2) | **5,094** | **69** | — | — |
| Fuzhou Shimao Bund Garden (note 2) | **4,158** | **41** | — | — |
| Yantai Shimao No.1 The Harbour | **47,411** | **547** | — | — |
| Xuzhou Shimao Dongdu | **99,656** | **513** | — | — |
| Taizhou Shimao Riverside Garden | **51,611** | **201** | — | — |
| Ningbo Shimao World Gulf | **5,856** | **83** | — | — |
| Sub-total (a) | **1,905,628** | **16,179** | 688,717 | 6,244 |
| Nanjing Shimao Bund New City (note 2) | **20,453** | **205** | 6,999 | 91 |
| Fuzhou Shimao Bund Garden (note 2) | **301** | **4** | 1,516 | 23 |
| Sub-total (b) | **20,754** | **209** | 8,515 | 114 |
| Sub-total (c) — attributable | **10,377** | **105** | 4,258 | 57 |
| Total (a) + (b) | **1,926,382** | **16,388** | 697,232 | 6,358 |
| Total (a) + (c) | **1,916,005** | **16,284** | 692,975 | 6,301 |

*Note 1:*

The attributable interests was 70.01% for the period ended 30 November 2009 and 96.05% for the remaining period of 2009 after acquisition of additional shares in the project company from minority interests.

*Note 2:*

For the five months ended 31 May 2009, revenue attributable to the Group generated from associated companies holding Nanjing Shimao Bund New City and Fuzhou Shimao Bund Garden has not been consolidated in the consolidated financial statements. After the completion of acquisition of Shanghai Shimao, these associated companies became our subsidiaries and the revenue for the period from 1 June to 31 December 2009 was consolidated in our consolidated financial statements

(ii) **Hotel income**

Hotel operating income are analysed below:

| | **2009** | **2008** |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Shanghai Le Méridien Sheshan | **104** | 123 |
| Le Royal Méridien Shanghai | **302** | 370 |
| Shanghai Hyatt on the Bund | **236** | 278 |
| Total | **642** | 771 |

Hotel operating income decreased approximately 17% to RMB642 million in 2009 from RMB771 million in 2008. Decrease was due to the lower occupancy rate triggered by global economic downturn and the threat of the human H1N1 flu epidemic.

(iii) **Rental income**

Rental income from investment properties amounted to RMB211 million. The rental income increased by 17% mainly attributable to the growth in number of units rented in Beijing Shimao Tower, as well as commencement of lease of Changshu Shopping mall.

| | **2009** | **2008** |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Shanghai Shimao International Plaza | **147** | 153 |
| Beijing Shimao Tower | **49** | 27 |
| Changshu Shopping Mall | **13** | — |
| Others | **2** | — |
| Total | **211** | 180 |

**Cost of sales**

Cost of sales increased by 181% to approximately RMB11,149 million in 2009 from RMB3,964 million in 2008, primarily due to the increase in cost of properties sold in line with the increase in areas of properties delivered. Cost of sales are analysed as follows:

| | 2009<br>*RMB million* | 2008<br>*RMB million* |
|---|---|---|
| Sales taxes | **944** | 391 |
| Land costs, construction costs and capitalised borrowing costs | **9,870** | 3,191 |
| Direct operating costs for hotels and commercial properties | **335** | 382 |
| Total | **11,149** | 3,964 |

**Fair value gains/losses on investment properties**

During the year under review, the Group recorded aggregate fair value gains of RMB214 million (2008: fair value losses of RMB123 million) mainly contributed by Shanghai Shimao International Plaza and Beijing Shimao Tower. Aggregate net fair value gains after deferred income tax of RMB54 million recognised was RMB160 million (2008: fair value losses after deferred income tax of RMB92 million).

**Gains on deemed disposal to minority interests**

Upon the completion of acquisition of Shanghai Shimao and other relevant commercial projects in 2009, gain on deemed disposal to minonty interests of RMB1,501 million was recorded in 2009. The total net gain after relevant taxes recognized in income statements amounted to RMB936 million (2008: Nil).

**Other gains**

Other gains of RMB159 million for the year ended 31 December 2009 (2008: RMB442 million) included mainly government grants rather than net foreign exchange gain in 2008. The drop was due to decrease of foreign exchange gain as a result of a more stable USD to RMB exchange rate in 2009.

**Selling and marketing costs and administrative expenses**

Selling and marketing costs for the year was RMB470 million (2008: RMB282 million). The increase was mainly due to our efforts to promote new projects. Administrative expenses increased by 4% which was mainly due to the deed tax and other levies on the acquisition of Shanghai Shimao.

**Operating profit**

Operating profit amounted to approximately RMB6.0 billion for the year ended 31 December 2009, representing a significant increase of 182% over 2008 (2008: RMB2.1 billion).

**Finance costs - net**

Net finance costs decreased to RMB307 million (2008: RMB350 million) mainly due to more interest expenses capitalised in 2009.

**Share of results of associated companies & jointly controlled entities**

Share of profits of associated companies amounted to RMB20 million (2008: share of losses of RMB3 million). Share of losses of jointly controlled entities amounted to RMB1 million (2008: share of profits of RMB9 million).

**Taxation**

The Group's tax provisions amounted to RMB2,107 million, which included land appreciation tax of RMB555 million (2008: RMB925 million, which included land appreciation tax of RMB521 million) for the year.

**Profit attributable to shareholders**

Profit attributable to shareholders for the year increased significantly by 317% from RMB841 million in 2008 to RMB3,511 million in 2009. Profit from core business attributable to shareholders of the Company excluding aggregate fair value gains on investment properties net of income tax of RMB132 million (2008: fair value losses RMB92 million), net gains on deemed disposal to minority interests of RMB936 million (2008: Nil), depreciation and amortization net of income tax of RMB179 million (2008: RMB173 million) and the amount of goodwill impaired exceeding negative goodwill realised of RMB153 million (2008: RMB2 million), amounted to RMB2.77 billion (2008: RMB1.11 billion), representing a increase of 150% when compared with 2008 profit from core business after excluding same items.

**Liquidity and financial resources**

As of 31 December 2009, total assets of the Group were RMB66.53 billion, of which current assets reached RMB34.89 billion. Total liabilities were RMB41.01 billion, whereas non-current liabilities were RMB18.42 billion. Total equity were RMB25.52 billion, of which equity attributable to the shareholders of the Company amounted to RMB23.35 billion.

As of 31 December 2009, the Group had aggregate cash and bank balances (including restricted cash balances for borrowings) of approximately RMB7.28 billion (31 December 2008: RMB1.92 billion), total borrowings amounted to approximately RMB20.53 billion (31 December 2008: RMB14.43 billion). Total net borrowings were RMB13.25 billion (31 December 2008: RMB12.51 billion). Net gearing ratio decreased from 65.7% as at 31 December 2008 to 51.9% as at 31 December 2009.

The maturity of the borrowings of the Group as at 31 December 2009 is set out as follows:

| | *RMB million* |
|---|---|
| ***Bank borrowings*** | |
| Within 1 year | **3,932** |
| Between 1 and 2 years | **2,680** |
| Between 2 and 5 years | **5,886** |
| Over 5 years | **3,993** |
| ***Senior notes*** | |
| Between 1 and 2 years | **1,691** |
| Over 5 years | **2,345** |
| Total | **20,527** |

The borrowings were denominated in different currencies set out below:

| | **Original currency (million)** | **RMB equivalent (million)** |
|---|---|---|
| US$ | **591** | **4,037** |
| HK$ | **3,005** | **2,646** |
| RMB | **13,844** | **13,844** |

**Financing activities**

During 2009, the banks agreed in principle to provide banking facilities to the Group in amounts set out as follows.

| | *RMB billion* |
|---|---|
| Bank of Agriculture of China | **15.0** |
| Industrial and Commercial Bank of China | **10.0** |
| Construction Bank of China | **10.7** |
| Standard Chartered Bank | **12.0** |
| Bank of China | **4.6** |
| | **52.3** |

In April 2009, the Group has made a placement with net proceeds of HK$1.9 billion to early repay the US$328 million syndicated loans.

**Foreign exchange risks**

Other than financing activities such as foreign currency borrowings which were denominated in foreign currencies, the Group conducts its business almost exclusively in RMB. The Group would be affected mainly by the outstanding foreign currency borrowings which include, US$600 million senior notes and HK$3,005 million bank loans as at 31 December 2009.

**Pledge of assets**

As of 31 December 2009, the Group had pledged properties and equipment, land use rights, properties under development, investment properties , cash and cash equivalents and available-for-sale financial assets with a total carrying amount of RMB20.7 billion to secure bank facilities granted to the Group. The corresponding bank loans amounted to approximately RMB14.5 billion. The Group had also pledged shares of certain subsidiary for a total borrowings of RMB0.26 billion.

**Contingent liabilities/financial guarantees**

As of 31 December 2009, the Group had provided guarantees for approximately RMB3.6 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties.

**Capital and property development expenditure commitments**

As of 31 December 2009, the Group had contracted capital and property development expenditure but not provided for amounted to RMB22.6 billion.

**Employees and remuneration policy**

As of 31 December 2009, the Group employed a total of 3,949 employees. Total remuneration for the period amounted to RMB422 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. Share option schemes were adopted to attract and retain talents to contribute to the Group. In relation to staff training, the Group also provides different types of programmes for its staff to improve their skills and develop their respective expertise.

## ANNUAL RESULTS

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 December 2009 together with comparative figures for 2008 as follows. These annual results have been reviewed by the Company's Audit Committee.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

***For the year ended 31 December 2009***

| | | **Year ended 31 December** | |
|---|---|---|---|
| | *Note* | **2009** | **2008** |
| | | ***RMB'000*** | *RMB'000* |
| **Revenue** | 3 | **17,032,063** | 7,196,277 |
| Cost of sales | 8 | **(11,149,395)** | (3,964,242) |
| **Gross profit** | | **5,882,668** | 3,232,035 |
| Gains on deemed disposal to minority interests | 6 | **1,501,093** | — |
| Fair value gains / (losses) on investment properties | | **213,834** | (122,749) |
| Other gains | 7 | **158,609** | 442,118 |
| Selling and marketing costs | 8 | **(470,427)** | (281,756) |
| Administrative expenses | 8 | **(1,107,286)** | (1,065,837) |
| Other operating expenses | 8 | **(179,961)** | (75,053) |
| **Operating profit** | | **5,998,530** | 2,128,758 |
| Finance income | | **30,466** | 28,005 |
| Finance costs | | **(337,653)** | (377,635) |
| Finance costs - net | 9 | **(307,187)** | (349,630) |
| Share of results of | | | |
| - Associated companies | | **19,925** | (3,132) |
| - Jointly controlled entities | | **(1,072)** | 9,498 |
| | | **18,853** | 6,366 |
| **Profit before income tax** | | **5,710,196** | 1,785,494 |
| Income tax expense | 10 | **(2,107,212)** | (925,226) |
| **Profit for the year** | | **3,602,984** | 860,268 |

| | Note | Year ended 31 December 2009 RMB'000 | 2008 RMB'000 |
|---|---|---|---|
| **Other comprehensive income:** | | | |
| Fair value gains on available-for-sale financial assets, net of tax | | **136,386** | — |
| **Total comprehensive income for the year** | | **3,739,370** | 860,268 |
| **Profit for the year attributable to:** | | | |
| Equity holders of the Company | | **3,511,201** | 841,159 |
| Minority interests | | **91,783** | 19,109 |
| | | **3,602,984** | 860,268 |
| **Total comprehensive income for the year attributable to:** | | | |
| Equity holders of the Company | | **3,598,790** | 841,159 |
| Minority interests | | **140,580** | 19,109 |
| | | **3,739,370** | 860,268 |
| **Dividends** | 11 | **1,029,016** | 404,742 |
| **Earnings per share for profit attributable to the equity holders of the Company** | | | |
| - Basic (RMB cents) | 12 | **101.7** | 25.6 |
| - Diluted (RMB cents) | 12 | **101.4** | 25.4 |

## CONSOLIDATED BALANCE SHEET

*As at 31 December 2009*

| | Note | As at 31 December 2009 | As at 31 December 2008 | As at 1 January 2008 |
|---|---|---|---|---|
| | | | *Restated (Note 2 (a)(i))* | *Restated (Note 2 (a)(i))* |
| | | ***RMB'000*** | *RMB'000* | *RMB'000* |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property and equipment | | **5,891,602** | 5,403,356 | 4,990,516 |
| Investment properties | | **6,372,600** | 6,050,000 | 5,852,000 |
| Land use rights | | **3,060,382** | 6,179,952 | 6,581,082 |
| Intangible assets | | **2,348,261** | 424,394 | 415,995 |
| Associated companies | | **4,899** | 255,785 | 295,142 |
| Available-for-sale financial assets | | **692,399** | — | — |
| Jointly controlled entities | | **2,338,244** | 1,721,197 | 2,662 |
| Deferred income tax assets | | **750,080** | 437,847 | 441,570 |
| Other non-current assets | | **10,182,146** | 4,309,904 | 3,149,502 |
| | | **31,640,613** | 24,782,435 | 21,728,469 |
| **Current assets** | | | | |
| Properties under development | | **18,899,789** | 11,619,312 | 9,492,366 |
| Completed properties held for sale | | **5,198,628** | 6,211,370 | 1,846,936 |
| Trade and other receivables and prepayments | 4 | **2,998,042** | 1,633,727 | 1,124,079 |
| Prepaid income taxes | | **310,472** | 148,174 | 35,082 |
| Amounts due from related companies | | **698** | 84,915 | 31,477 |
| Amount due from a minority interest | | **—** | — | 6,262 |
| Restricted cash | | **560,383** | 186,961 | 409,553 |
| Cash and cash equivalents | | **6,918,958** | 1,814,447 | 4,596,378 |
| | | **34,886,970** | 21,698,906 | 17,542,133 |
| **Total assets** | | **66,527,583** | 46,481,341 | 39,270,602 |

| | Note | As at 31 December 2009 | As at 31 December 2008 | As at 1 January 2008 |
|---|---|---|---|---|
| | | | *Restated (Note 2 (a)(i))* | *Restated (Note 2 (a)(i))* |
| | | ***RMB'000*** | *RMB'000* | *RMB'000* |
| **OWNERS' EQUITY** | | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | | |
| Share capital | | **361,938** | 336,015 | 340,382 |
| Reserves | | | | |
| - Proposed final dividend | 11 | **717,366** | 404,742 | 494,088 |
| - Others | | **22,268,570** | 17,955,062 | 17,613,714 |
| | | **23,347,874** | 18,695,819 | 18,448,184 |
| **Minority interests in equity** | | **2,169,211** | 341,600 | 364,024 |
| **Total equity** | | **25,517,085** | 19,037,419 | 18,812,208 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | | **16,594,590** | 10,895,097 | 10,384,037 |
| Deferred income tax liabilities | | **1,824,947** | 1,605,101 | 1,639,444 |
| | | **18,419,537** | 12,500,198 | 12,023,481 |
| **Current liabilities** | | | | |
| Trade and other payables | 5 | **7,038,928** | 6,747,126 | 3,850,927 |
| Advanced proceeds received from customers | | **6,502,855** | 1,534,690 | 499,980 |
| Income tax payable | | **4,944,610** | 2,958,002 | 2,831,555 |
| Borrowings | | **3,932,306** | 3,538,906 | 1,252,451 |
| Amounts due to related parties | | **31,101** | — | — |
| Amount due to a minority interest | | **7,696** | — | — |
| Deferred income | | **133,465** | 165,000 | — |
| | | **22,590,961** | 14,943,724 | 8,434,913 |
| **Total liabilities** | | **41,010,498** | 27,443,922 | 20,458,394 |
| **Total equity and liabilities** | | **66,527,583** | 46,481,341 | 39,270,602 |
| **Net current assets** | | **12,296,009** | 6,755,182 | 9,107,220 |
| **Total assets less current liabilities** | | **43,936,622** | 31,537,617 | 30,835,689 |

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 **General information**

Shimao Property Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY 1-1111 Cayman Islands. The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are property development, property investment and hotel operation in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006.

In May 2009, the Group completed the injection of a number of retail and commercial properties in the PRC, most of which through equity transfers, into Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a company listed on the Shanghai Stock Exchange, satisfied by issuance of 630,000,000 shares of Shanghai Shimao. In addition, the Group also subscribed for new shares of Shanghai Shimao Enterprises Development Co., Ltd. ("Shimao Enterprises"), which previously held approximately 37% interest in Shanghai Shimao, for RMB749,992,000. Shimao Enterprises then subscribed for 62,240,000 shares of Shanghai Shimao using the proceeds received of RMB749,992,000 (collectively, the "Transaction"). After the completion of the Transaction on 31 May 2009, the Group owns an effective equity interest of 64.22% in Shanghai Shimao and a direct equity interest of 50.9% in Shimao Enterprises. Mr. Hui Wing Mau, Chairman of the Company, is also the Chairman of Shanghai Shimao. Shimao Enterprises was 93.33% owned by the nephew of Mr. Hui Wing Mau prior to the Transaction.

In November 2009, another two PRC retail and commercial properties ("Shaoxing Projects") held by two wholly-owned subsidiaries of the Group were injected to Shanghai Shimao at a cash consideration of RMB475,622,000.

The Transaction and injection of Shaoxing Projects to Shanghai Shimao had resulted in a total gain of RMB1,501,093,000 (note 6) and goodwill of RMB1,709,730,000 to the Group.

These consolidated financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

2 **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(a) **Basis of preparation**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

(i) Change in accounting policy for land use rights relating to properties developed for sale

Land use rights relating to properties developed for sale meet the definition of both leasehold land under HKAS 17 'Leases' and inventories under HKAS 2 'Inventories'. During the year, the Group changed its accounting policy for land use rights relating to properties developed for sale.

In previous years, upfront payments to obtain land use rights on which properties will be developed for sale were regarded as upfront operating lease payments and were initially recognised as a separate current asset item on the balance sheet. They were subsequently amortised on a straight line basis over the lease period in accordance with HKAS 17. The amortisation during the period of construction of the properties was capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties were expensed in the income statement. The unamortised upfront payments were recognised as cost of sales when the relevant properties are sold upon completion of the relevant properties.

Subsequent to the change in accounting policy in 2009, land use rights relating to properties developed for sale are regarded as part of the inventories and are no longer amortised. They are included in properties under development or completed properties held for sale, which are measured at the lower of cost and net realisable value, depending on the development status in accordance with HKAS 2.

Management believes that the new classification of land use rights relating to properties developed for sale results in a more relevant presentation of the financial position of the Group, and of its performance for the year, reflecting the management's intention on the use of the asset. The new accounting policy also results in a presentation consistent with the industry practices.

The change in accounting policy has no material impact to the profit of the Group in current year or in the prior years. Accordingly no retrospective adjustment has been made to the income statement of the Group for prior years. The only retrospective adjustments made were to include the land use rights relating to properties developed for sale into the respective inventory balances and the reclassification made to the balance sheet of the Group as at 1 January 2008 and 31 December 2008 are as follows:

**As at 1 January 2008**

| **Current assets** | **As previously reported** | **Reclassification** | **Restated** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Land use rights under development | 7,270,973 | (7,270,973) | — |
| Properties under development | 2,546,641 | 6,945,725 | 9,492,366 |
| Completed properties held for sale | 1,521,688 | 325,248 | 1,846,936 |

**As at 31 December 2008**

| **Current assets** | **As previously reported** | **Reclassification** | **Restated** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Land use rights under development | 8,973,518 | (8,973,518) | — |
| Properties under development | 4,175,745 | 7,443,567 | 11,619,312 |
| Completed properties held for sale | 4,681,419 | 1,529,951 | 6,211,370 |

(ii) New/revised standards, amendments to standards and interpretations adopted by the Group in 2009

In 2009, the Group adopted the following new/revised standards, amendments to standards and interpretations of HKFRS, which are effective for the financial year ended 31 December 2009 and are relevant to the Group's operations:

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKFRS 8 | Operating Segments |
| HK(IFRIC) — Int 13 | Customer Loyalty Programmes |
| HK(IFRIC) — Int 15 | Agreements for the Construction of Real Estates |
| HKFRS 2 Amendment | Share-based Payment |
| HKFRS 7 Amendment | Financial Instruments: Disclosures |

Annual improvements to HKFRS published in October 2008:

| | |
|---|---|
| HKAS 1 Amendment | Presentation of Financial Statements |
| HKAS 10 Amendment | Events after the Balance Sheet Date |
| HKAS 16 Amendment | Property, Plant and Equipment |
| HKAS 19 Amendment | Employee Benefits |
| HKAS 23 Amendment | Borrowing Costs |
| HKAS 27 Amendment | Consolidated and Separate Financial Statements |
| HKAS 28 Amendment | Investments in Associates |

| | |
|---|---|
| HKAS 31 Amendment | Interests in Joint Ventures |
| HKAS 34 Amendment | Interim Financial Reporting |
| HKAS 36 Amendment | Impairment of Assets |
| HKAS 38 Amendment | Intangible Assets |
| HKAS 39 Amendment | Financial Instruments: Recognition and Measurement |
| HKAS 40 Amendment | Investment Property |
| HKFRS 7 Amendment | Financial Instruments: Disclosures |

The adoption of the above new/revised standards, amendments to standards and interpretations in 2009 has no significant impact on the Group's financial statements except for the following presentational changes and added disclosures:

- HKAS 1 (Revised) "Presentation of Financial Statements", introduces a number of changes to the presentation of the financial statements, including the requirement for certain items of income and expenses (that is "non-owner changes in equity") previously presented in the consolidated statement of changes in equity to be presented in a new performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one performance statement (the consolidated statement of comprehensive income). Comparative information has been re-presented so that it also is in conformity with the revised standard. Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheet at the end of the current period and comparative period.

- HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM makes strategic decisions.

  The adoption of this standard has resulted in a change of reportable segments. Following the completion of the Transaction, the CODM views Shanghai Shimao as a separate operating segment from the previous property development and investment segment while the hotel operation segment is maintained. Comparatives for 2008 have been restated.

- HKFRS 7 (Amendment) "Financial Instruments — Disclosures", increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no significant impact on the Group's financial statements.

## 3 Segment information

The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and operating profit. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

Following the completion of the Transaction described in Note 1, the CODM views Shanghai Shimao as a separate operating segment from the previous property development and investment segment while the hotel operation segment is maintained.

### (a) Revenue

Turnover of the Group consists of the following revenue recognised during the year:

| | **Year ended 31 December** | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Sales of properties | **16,179,297** | 6,244,915 |
| Hotel operating income | **641,695** | 771,227 |
| Rental income from investment properties | **211,071** | 180,135 |
| | **17,032,063** | 7,196,277 |

(b) **Segment information**

**Year ended 31 December 2009**

| | Property development and investment | | | | |
|---|---|---|---|---|---|
| | **Shanghai Shimao** | **Others** | **Hotel operation** | **Unallocated*** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Revenue | | | | | |
| - Sales of properties | **479,429** | **15,699,868** | **—** | **—** | **16,179,297** |
| - Hotel operating income | **—** | **—** | **641,695** | **—** | **641,695** |
| - Rental income from investment properties | **35,247** | **175,824** | **—** | **—** | **211,071** |
| Total revenue | **514,676** | **15,875,692** | **641,695** | **—** | **17,032,063** |
| Operating profit/(loss) | **120,464** | **5,956,437** | **(43,082)** | **(35,289)** | **5,998,530** |
| Finance costs - net | **(39,356)** | **(149,284)** | **(88,053)** | **(30,494)** | **(307,187)** |
| Share of results of | | | | | |
| - Associated companies | **—** | **19,925** | **—** | **—** | **19,925** |
| - Jointly controlled entities | **—** | **(1,641)** | **—** | **569** | **(1,072)** |
| Profit/(loss) before income tax | **81,108** | **5,825,437** | **(131,135)** | **(65,214)** | **5,710,196** |
| Income tax expense | | | | | **(2,107,212)** |
| Profit for the year | | | | | **3,602,984** |
| Other segment items are as follows: | | | | | |
| Capital and property development expenditure | **2,895,527** | **17,976,211** | **536,148** | **252,556** | **21,660,442** |
| Gains on deemed disposal to minority interests | **—** | **1,501,093** | **—** | **—** | **1,501,093** |
| Fair value gains on investment properties | **105,202** | **108,632** | **—** | **—** | **213,834** |
| Impairment of intangible assets | **3,820** | **148,755** | **—** | **—** | **152,575** |
| Depreciation | **5,170** | **23,994** | **209,738** | **—** | **238,902** |
| Amortisation of land use rights | **2,246** | **1,552** | **28,582** | **—** | **32,380** |
| (Write back of)/additional provision for impairment losses on completed properties held for sale | **(13,974)** | **99,298** | **—** | **—** | **85,324** |
| Provision for impairment of receivables | **2,213** | **5,613** | **69** | **—** | **7,895** |

* Unallocated mainly represent corporate level activities

The segment assets and liabilities at 31 December 2009 are as follows:

| | Property development and investment | | | |
|---|---|---|---|---|
| | **Shanghai Shimao** | **Others** | **Hotel operation** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Associated companies | **—** | **4,899** | **—** | **4,899** |
| Jointly controlled entities | **—** | **2,338,244** | **—** | **2,338,244** |
| Intangible assets | **1,709,730** | **507,603** | **130,928** | **2,348,261** |
| Other segment assets | **13,640,243** | **38,748,405** | **7,485,609** | **59,874,257** |
| Total segment assets | **15,349,973** | **41,599,151** | **7,616,537** | **64,565,661** |
| Deferred income tax assets | | | | **750,080** |
| Available-for-sale financial assets | | | | **692,399** |
| Other assets | | | | **519,443** |
| Total assets | | | | **66,527,583** |
| Borrowings | **3,341,055** | **8,587,297** | **1,915,931** | **13,844,283** |
| Other segment liabilities | **3,312,303** | **14,774,763** | **546,915** | **18,633,981** |
| Total segment liabilities | **6,653,358** | **23,362,060** | **2,462,846** | **32,478,264** |
| Corporate borrowings | | | | **6,682,613** |
| Deferred income tax liabilities | | | | **1,824,947** |
| Other liabilities | | | | **24,674** |
| Total liabilities | | | | **41,010,498** |

**Year ended 31 December 2008**

| | Property development and investment | | | | |
|---|---|---|---|---|---|
| | Shanghai Shimao | Others | Hotel operation | Unallocated* | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue | | | | | |
| - Sales of properties | — | 6,244,915 | — | — | 6,244,915 |
| - Hotel operating income | — | — | 771,227 | — | 771,227 |
| - Rental income from investment properties | — | 180,135 | — | — | 180,135 |
| Total revenue | — | 6,425,050 | 771,227 | — | 7,196,277 |
| Operating profit/(loss) | — | 2,142,595 | 33,395 | (47,232) | 2,128,758 |
| Finance costs - net | — | (169,891) | (76,575) | (103,164) | (349,630) |
| Share of results of | | | | | |
| - Associated companies | — | (3,132) | — | — | (3,132) |
| - Jointly controlled entities | — | 8,707 | — | 791 | 9,498 |
| Profit/(loss) before income tax | — | 1,978,279 | (43,180) | (149,605) | 1,785,494 |
| Income tax expense | | | | | (925,226) |
| Profit for the year | | | | | 860,268 |
| Other segment items are as follows: | | | | | |
| Capital and property development expenditure | — | 11,179,002 | 223,898 | 66,396 | 11,469,296 |
| Negative goodwill arising from acquisition of additional interests in a subsidiary | — | 6,841 | — | — | 6,841 |
| Fair value losses on investment properties | — | 122,749 | — | — | 122,749 |
| Impairment of intangible assets | — | 9,198 | — | — | 9,198 |
| Depreciation | — | 20,236 | 203,986 | — | 224,222 |
| Amortisation of land use rights | — | 6,808 | 28,582 | — | 35,390 |
| Impairment losses on completed properties held for sale | — | 87,381 | — | — | 87,381 |
| Provision for impairment of receivables | — | 2,314 | — | — | 2,314 |

* Unallocated mainly represent corporate level activities

The segment assets and liabilities at 31 December 2008 are as follows:

| | Property development and investment | | | |
|---|---|---|---|---|
| | Shanghai Shimao | Others | Hotel operation | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Associated companies | — | 255,785 | — | 255,785 |
| Jointly controlled entities | — | 1,717,744 | — | 1,717,744 |
| Intangible assets | — | 293,466 | 130,928 | 424,394 |
| Other segment assets | — | 36,939,780 | 6,619,623 | 43,559,403 |
| Total segment assets | — | 39,206,775 | 6,750,551 | 45,957,326 |
| Deferred income tax assets | | | | 437,847 |
| Other assets | | | | 86,168 |
| Total assets | | | | 46,481,341 |
| Borrowings | — | 5,744,730 | 2,099,900 | 7,844,630 |
| Other segment liabilities | — | 10,349,502 | 464,696 | 10,814,198 |
| Total segment liabilities | — | 16,094,232 | 2,564,596 | 18,658,828 |
| Corporate borrowings | | | | 6,589,373 |
| Deferred income tax liabilities | | | | 1,605,101 |
| Other liabilities | | | | 590,620 |
| Total liabilities | | | | 27,443,922 |

Total segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries relating to respective segments. They exclude corporate assets, deferred income tax assets and available-for-sale financial assets.

Total segment liabilities comprise operating liabilities. They exclude corporate liabilities, corporate borrowings and deferred income tax liabilities.

4 **Trade and other receivables and prepayments**

| | As at 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Deposits for land acquisition and resettlement costs | **1,458,310** | 208,748 |
| Trade receivables - net (note) | **736,146** | 809,587 |
| Prepaid business tax on pre-sale proceeds | **333,061** | 88,595 |
| Prepayments for construction costs | **142,069** | 279,455 |
| Other prepayments and receivables | **328,456** | 247,342 |
| | **2,998,042** | 1,633,727 |

*Note:*

Trade receivables are mainly arisen from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at respective balance sheet dates is as follows:

| | As at 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **625,447** | 567,132 |
| Over 90 days and within 365 days | **85,138** | 201,068 |
| Over 365 days | **25,561** | 41,387 |
| | **736,146** | 809,587 |

5 **Trade and other payables**

| | As at 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Trade payables (note (a)) | **6,134,264** | 5,836,441 |
| Other taxes payable | **350,530** | 176,888 |
| Accrued expenses | **116,024** | 109,039 |
| Other payables (note (b)) | **438,110** | 624,758 |
| | **7,038,928** | 6,747,126 |

*Notes:*

(a) The ageing analysis of trade payables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **5,861,550** | 5,107,382 |
| Over 90 days and within 180 days | **272,714** | 729,059 |
| | **6,134,264** | 5,836,441 |

(b) Other payables comprise:

| | As at 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Deposits received from customers | **208,276** | 92,327 |
| Rental deposits from tenants and hotel customers | **69,797** | 66,189 |
| Fees collected from customers on behalf of government agencies | **51,916** | 11,157 |
| Decoration fee collected from customers on behalf of decorators | **29,328** | 1,976 |
| Deposits and advances from constructors | **29,132** | 352,701 |
| Acquisition consideration payable | **10,566** | 32,502 |
| Accrued selling and marketing costs | **9,617** | — |
| Welfare payable | **442** | 4,845 |
| Decoration fee payables | **—** | 35,110 |
| Miscellaneous | **29,036** | 27,951 |
| | **438,110** | 624,758 |

## 6 Gains on deemed disposal to minority interests

As described in Note 1, the Group acquired an effective equity interest of 64.22% in Shanghai Shimao through injection of a number of retail and commercial properties, most of which through equity transfers. Such injected equities and assets were originally 100% held by the Group. After the completion of the Transaction, the Group's interests in these injected equities and assets were diluted from 100% to 64.22%. The reduction of the interests of 35.78% in these injected equities and assets constituted a deemed disposal, and resulted in a gain of RMB1,395,849,000, which was calculated as 35.78% of the excess of the fair value of these equities and assets given up over their carrying amounts on the completion date of 31 May 2009. Another gain of RMB105,244,000 relating to the further injection of Shaoxing Projects to Shanghai Shimao was calculated as 35.78% of the excess of cash consideration of RMB475,622,000 over the carrying amounts of Shaoxing Projects on the completion date of 16 November 2009. The Transaction and injection of Shaoxing Projects to Shanghai Shimao had resulted in a total gain of RMB1,501,093,000.

## 7 Other gains

| | **Year ended 31 December** | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Government grants received | **136,506** | 4,337 |
| Miscellaneous rental income | **7,699** | 2,678 |
| Gain on disposal of property and equipment | **5,709** | 875 |
| Net exchange gain | **5,275** | 414,658 |
| Negative goodwill arising from acquisition of subsidiaries | **—** | 6,841 |
| Trademark income | **—** | 1,340 |
| Miscellaneous | **3,420** | 11,389 |
| | **158,609** | 442,118 |

## 8 Expenses by nature

Expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Staff costs - including directors' emoluments (note (a)) | **422,491** | 436,037 |
| Auditor's remuneration | **6,210** | 3,000 |
| Depreciation | **238,902** | 224,222 |
| Amortisation of land use rights | **32,380** | 35,390 |
| Provision for impairment of receivables | **7,895** | 2,314 |
| Impairment losses on completed properties held for sale | **85,324** | 87,381 |
| Advertising, promotion and commission costs | **374,079** | 271,241 |
| Cost of properties sold | **9,869,986** | 3,191,159 |
| Business taxes and other levies on sales of properties | **848,710** | 317,996 |
| Impairment of intangible assets | **152,575** | 9,198 |
| Charitable donations | **5,819** | 42,649 |
| Direct outgoings arising from investment properties | **13,108** | 4,475 |
| Operating lease rental expenses | **62,114** | 49,260 |
| Direct expenses arising from hotel operation | **314,198** | 423,009 |
| Corporate and office expenses | **258,753** | 174,324 |
| Other expenses | **214,525** | 115,233 |
| Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses | **12,907,069** | 5,386,888 |

***Note:***

(a) Staff costs (including directors' emoluments) comprise:

| | Year ended 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Wages and salaries | **312,884** | 333,737 |
| Pension costs - statutory pension | **28,996** | 27,347 |
| Employee share option scheme | **2,808** | 25,733 |
| Other allowances and benefits | **77,803** | 49,220 |
| | **422,491** | 436,037 |

## 9 Finance income and costs

| | Year ended 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Interest on bank borrowings | | |
| - wholly repayable within five years | **710,519** | 720,315 |
| - not wholly repayable within five years | **161,906** | 43,866 |
| Interest on senior notes | | |
| - wholly repayable within five years | **79,434** | 112,854 |
| - not wholly repayable within five years | **191,284** | 195,762 |
| | **1,143,143** | 1,072,797 |
| Less: Interest capitalised | **(805,490)** | (695,162) |
| Finance costs | **337,653** | 377,635 |
| Finance income | **(30,466)** | (28,005) |
| Finance costs - net | **307,187** | 349,630 |

## 10 Income tax expense

| | Year ended 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| - PRC enterprise income tax | **1,355,892** | 435,311 |
| - PRC withholding income tax | **462,814** | — |
| - PRC land appreciation tax | **554,511** | 520,535 |
| | **2,373,217** | 955,846 |
| Deferred income tax | | |
| - PRC enterprise income tax | **(194,153)** | (130,893) |
| - PRC withholding income tax | **(71,852)** | 100,273 |
| | **(266,005)** | (30,620) |
| | **2,107,212** | 925,226 |

**Hong Kong profits tax**

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2009 (2008: Nil).

**PRC enterprise income tax**

PRC enterprise income tax is provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purposes.

The new Enterprise Income Tax Law has been enacted to reduce the PRC enterprise income tax rate from 33% to 25% with effect from 1 January 2008.

**PRC land appreciation tax**

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership. Upon acquisition of subsidiaries which are engaged in property development, an accrual for land appreciation tax is made based on the fair value of the properties being developed by the subsidiaries for sale before arriving at the goodwill/negative goodwill on the acquisition.

**PRC withholding income tax**

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate will be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong. Such withholding income tax is included in deferred tax.

Gain on disposal of an investment in the PRC by overseas holding companies may also be subject to withholding tax of 10%. Such withholding income tax is included in current tax.

## 11 Dividends

| | **Year ended 31 December** | |
|---|---|---|
| | **2009** | **2008** |
| | ***RMB'000*** | *RMB'000* |
| Interim dividend paid of HK10 cents (2008:Nil) per ordinary share (note(a)) | **311,650** | — |
| Proposed final dividend of HK23 cents (2008: HK13 cents) per ordinary share (note(b)) | **717,366** | 404,742 |
| | **1,029,016** | 404,742 |

*Notes:*

(a) An interim dividend in respect of the six months ended 30 June 2009 of HK10 cents per ordinary share, amounting to approximately HK$353,545,000 (equivalent to RMB311,650,000) was declared at the Company's board meeting held on 17 September 2009 (2008: Nil).

(b) At a meeting held on 13 April 2010, the directors proposed a final dividend of HK23 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010 upon approval by the shareholders at the forthcoming annual general meeting of the Company. A final dividend in respect of 2008 of HK13 cents per ordinary share, amounting to approximately HK$459,031,000 (equivalent to RMB404,742,000) was approved at the annual general meeting of the Company held on 2 June 2009.

## 12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under the share option schemes assuming they were exercised.

| | **Year ended 31 December** | |
|---|---|---|
| | **2009** | **2008** |
| Profit attributable to the equity holders of the Company (RMB'000) | **3,511,201** | 841,159 |
| Weighted average number of ordinary shares in issue (thousands) | **3,453,933** | 3,292,732 |
| Basic earnings per share (RMB cents) | **101.7** | 25.6 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **3,461,833** | 3,308,780 |
| Diluted earnings per share (RMB cents) | **101.4** | 25.4 |

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Mode Code") set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). All the Directors confirmed they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2009.

### Compliance with Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year except for the deviation from provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate.

Mr. Hui Wing Mau is the chairman of the Company and founder of the Group. With Mr. Hui's extensive experience in property development and investment, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals.

### Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### Annual General Meeting

The 2010 annual general meeting of the Company ("AGM") will be held on 31 May 2010. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

**Final Dividend and Closure of Register of Members**

The Board has proposed a final dividend of HK23 cents per ordinary share for the year ended 31 December 2009. The proposed final dividend, if approved at the forthcoming AGM, will be payable on 7 June 2010 to shareholders whose names appear on the register of members of the Company on 31 May 2010.

The register of members of the Company will be closed on Friday, 28 May 2010 and Monday, 31 May 2010. During these two days no transfer of shares will be registered. In order to qualify for the proposed final dividend and to determine who are entitled to attend the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Thursday, 27 May 2010.

On behalf of the Board
**Shimao Property Holdings Limited**
**Hui Wing Mau**
*Chairman*

Hong Kong, 13 April 2010

*As at the date of this announcement, the executive directors are Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman), Ms. Yao Li, Mr. Ip Wai Shing, Andy, Mr. Tung Chi Shing and Mr. Liu Sai Fei and the independent non-executive directors are Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam.*