SPG LAND
盛高置地

SPG LAND (HOLDINGS) LIMITED
盛高置地（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0337)

2010 ANNUAL RESULTS ANNOUNCEMENT

A YEAR OF NEW RECORDS:

- Recognized revenue increased by 39% to RMB4,271 million
- Contracted sales increased by 16% to RMB6,390 million
- Profit attributable to equity shareholders increased by 31% to RMB890 million
- Acquired three new projects/adding a total land bank of GFA of approximately 2.5 million sq.m.

The Board of Directors (the "Board") of SPG Land (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**2010** *RMB'000*	2009 *RMB'000*
Revenue	*5*	**4,271,189**	3,065,441
Cost of sales		**(3,003,983)**	(2,151,003)
Gross profit		**1,267,206**	914,438
Other income	*6*	**3,423**	5,020
Selling and marketing costs		**(150,186)**	(116,507)
Administrative expenses		**(260,446)**	(154,183)
Other operating expenses	*7*	**(24,005)**	(4,994)
Net gain on acquisition of a jointly controlled entity		**149,911**	–
Net gain on repurchase of convertible bonds		**17,248**	49,394
Results from operating activities		**1,003,151**	693,168
Finance income	*9*	**107,851**	16,914
Finance expenses	*9*	**(61,982)**	(86,771)
Fair value changes on financial derivatives	*9*	**(20,123)**	50,263
Net finance income/(expenses)		**25,746**	(19,594)
Share of profits of associates		**281,792**	66,645
Share of losses of jointly controlled entity		**(20,008)**	–
Profit before revaluation gains on investment properties and income tax		**1,290,681**	740,219
Revaluation gains on investment properties		**229,203**	517,254
Profit before income tax		**1,519,884**	1,257,473
Income tax expense	*10*	**(618,278)**	(427,726)
Total comprehensive income for the year		**901,606**	829,747
Total comprehensive income attributable to:			
Equity holders of the Company		**890,206**	678,520
Minority interests		**11,400**	151,227
Total comprehensive income for the year		**901,606**	829,747
Earnings per share			
Basic earnings per share (RMB)	*12*	**0.847**	0.644+
Diluted earnings per share (RMB)	*12*	**0.823**	0.524+

+ *'Earnings per share' has been restated for the impact of the bonus issue as explained in note 12.*

CONSOLIDATED BALANCE SHEET AND COMPANY BALANCE SHEET

		Group		Company	
		2010	2009	**2010**	2009
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Assets					
Property, plant and equipment		**904,068**	236,144	**–**	–
Intangible assets		**1,610**	1,655	**–**	–
Land use rights		**81,732**	74,192	**–**	–
Other investments		**13,032**	13,032	**–**	–
Properties under development		**3,600,904**	4,235,962	**–**	–
Investment properties	*19*	**1,948,000**	1,640,500	**–**	–
Interests in associates	*20*	**1,263,247**	989,822	**–**	–
Interests in a jointly controlled entity	*21*	**738,468**	–	**–**	–
Investment in subsidiaries		**–**	–	**3,935,092**	3,935,092
Long-term receivable	*14*	**814,186**	–	**–**	–
Financial derivatives	*17*	**625**	51,491	**–**	51,491
Deferred tax assets		**287,139**	212,969	**–**	–
Total non-current assets		**9,653,011**	7,455,767	**3,935,092**	3,986,583
Properties under development		**4,921,467**	2,963,347	**–**	–
Completed properties held for sale		**505,220**	235,635	**–**	–
Other investments		**16,115**	1,228	**–**	–
Trade, other receivables and advance deposits	*13*	**3,270,269**	864,878	**590,743**	350,584
Long-term receivable within one year	*14*	**125,486**	–	**–**	–
Restricted cash		**1,985,536**	2,408,748	**–**	–
Cash and cash equivalents		**1,514,439**	3,038,945	**743**	2,070
Total current assets		**12,338,532**	9,512,781	**591,486**	352,654
Total assets		**21,991,543**	16,968,548	**4,526,578**	4,339,237
Equity					
Share capital		**106,591**	104,347	**106,591**	104,347
Share premium		**2,069,086**	2,071,330	**2,069,086**	2,071,330
Reserves		**743,255**	721,498	**355,209**	449,932
Retained earnings		**1,499,732**	865,426	**152,888**	5,175
Total equity attributable to equity holders of the Company		**4,418,664**	3,762,601	**2,683,774**	2,630,784
Minority interests		**108,254**	343,924	–	–
Total equity		**4,526,918**	4,106,525	**2,683,774**	2,630,784

	Note	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Liabilities					
Interest-bearing loans		**1,534,694**	2,135,747	**–**	–
Trade, other payables and advance receipts	*15*	**10,162,183**	5,592,876	**890,575**	805,811
Tax payable		**879,931**	566,663	**–**	–
Long-term payable within one year	*16*	**6,000**	6,000	**–**	–
Total current liabilities		**12,582,808**	8,301,286	**890,575**	805,811
Interest-bearing loans		**4,347,386**	3,151,292	**–**	–
Long-term payable	*16*	**42,738**	45,301	**952,229**	–
Convertible bonds	*17*	**–**	902,642	**–**	902,642
Deferred tax liabilities		**491,693**	461,502	**–**	–
Total non-current liabilities		**4,881,817**	4,560,737	**952,229**	902,642
Total liabilities		**17,464,625**	12,862,023	**1,842,804**	1,708,453
Total equity and liabilities		**21,991,543**	16,968,548	**4,526,578**	4,339,237
Net current (liabilities)/assets		**(244,276)**	1,211,495	**(299,089)**	(453,157)
Total assets less current liabilities		**9,408,735**	8,667,262	**3,636,003**	3,533,426

Notes:

1. BASIS OF PREPARATION

The consolidated results of the Group for the year ended 31 December 2010 include the results of the Company and its subsidiaries from 1 January 2010, or their respective dates of incorporation. The consolidated balance sheet at 31 December 2010 is a consolidation of the balance sheets of the Company and its subsidiaries at the respective balance sheet dates. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange.

The International Accounting Standards Board ("IASB") has issued certain new and revised IFRSs that are firstly effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except that other investments in equity securities, derivative financial instruments and investment properties are measured at fair value.

The financial statements have been prepared on the basis that the Group will continue to operate throughout the next twelve months as a going concern. The Group's current liabilities exceeded its current assets by RMB244,276,000 as at 31 December 2010. Based on the anticipated ability of the Group to obtain continued bank financing and the estimated proceeds from pre-sale of certain projects to finance its continuing operation, the Company's directors have prepared the financial statements on a going concern basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional currency. All financial information presented in RMB has been rounded to the nearest thousand.

New standards and interpretations not yet adopted

Other than those adopted early as explained in note 2, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

	Effective for accounting period beginning on or after (unless specified)
Amendment to IAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
Improvements to IFRSs (2010)	1 July 2010
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction*	1 January 2011
Amendments to IAS 12, *Income tax – Deferred tax: Recovery of underlying assets*	1 January 2012
IFRS 9, *Financial instruments*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of the issuance of these financial statements, the Group believes that their adoption is unlikely to have a significant impact on the Group's results of operations and financial position.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRS and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following are relevant to the Group's financial statements:

- Revised IFRS 1, *First-time adoption of International Financial Reporting Standards*
- Improvements to IFRSs (2009)
- Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Additional exemptions for first-time adopters*
- Amendments to IFRS 2, *Share-based payments – Group cash-settled share-based payment transactions*

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

- Sales of property: this segment develops and sells residential properties, including villas, townhouses and apartments, etc. Currently the Group's activities in this regard are carried out in Shanghai, Kunming, Changshu, Wuxi, Suzhou, Hainan and Shanxi.

- Lease of property: this segment leases commercial and residential properties to generate rental income and gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located in Shanghai, Hainan, Kunming, Suzhou and Wuxi.

- Property management and other related services: this segment provides property management services, project management services, greenery construction services and other related services to external customers and group companies. Currently the Group's activities in this regard are carried out in Shanghai, Hainan, Kunming and Suzhou.

- Education: this segment provides education and accommodation service to college students. Currently the Group's activities in this regard are carried out in Shanghai.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of interests in associates and a jointly controlled entity, derivative financial instruments and other corporate assets. Segment liabilities include all current and non-current liabilities except for the liability component of convertible bonds managed at corporate level.

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include share of profits/(losses) of associates and jointly controlled entity and those profit or loss related to derivative financial instruments, share-based payments and any other transactions at the corporate level.

For the year ended 31 December 2010

Expressed in RMB'000	**Sales of property**	**Lease of property**	**Property management & related services**	**Education**	**Group**
Revenue from external customers	4,113,664	29,069	51,227	77,229	4,271,189
Inter-segment revenue	–	–	18,435	–	18,435
Reportable segment revenue	4,113,664	29,069	69,662	77,229	4,289,624
Reportable segment profit	286,892	181,651	26,693	10,966	506,202
Interest income	106,007	267	1,541	36	107,851
Finance expenses	(23,411)	(3,150)	(24,209)	(11,212)	(61,982)
Revaluation gains on investment properties	–	229,203	–	–	229,203
Reportable segment assets	19,809,817	1,948,000	347,117	276,213	22,381,147
Additions to non-current segment assets during the year	7,630	78,381	18,314	5,843	110,168
Reportable segment liabilities	18,679,816	640,045	210,915	198,784	19,729,560
Depreciation and amortisation	11,708	–	2,598	13,691	27,997

For the year ended 31 December 2009

Expressed in RMB'000	**Sales of property**	**Lease of property**	**Property management & related services**	**Education**	**Group**
Revenue from external customers	2,926,572	27,271	36,850	74,748	3,065,441
Inter-segment revenue	–	260	77,063	–	77,323
Reportable segment revenue	2,926,572	27,531	113,913	74,748	3,142,764
Reportable segment profit	181,061	397,050	80,334	18,716	677,161
Interest income	15,873	202	781	58	16,914
Finance expenses	(68,699)	(2,750)	(89)	(15,233)	(86,771)
Revaluation gains on investment properties	–	517,254	–	–	517,254
Reportable segment assets	15,071,835	1,640,500	172,872	269,904	17,155,111
Additions to non-current segment assets during the year	8,292	–	21	5,749	14,062
Reportable segment liabilities	12,353,658	548,781	9,833	179,441	13,091,713
Depreciation and amortisation	12,111	–	694	14,528	27,333

Reconciliation of reportable segment revenues, profit, assets and liabilities

Revenue	**2010** ***RMB'000***	2009 *RMB'000*
Reportable segment revenue	**4,289,624**	3,142,764
Elimination of inter-segment revenue	**(18,435)**	(77,323)
Consolidated revenue	**4,271,189**	3,065,441

Profit	**2010** ***RMB'000***	2009 *RMB'000*
Reportable segment profit	**506,202**	677,161
Elimination of inter-segment profits	**(9,517)**	(7,249)
Fair value change on financial derivatives	**(20,123)**	50,263
Repurchase of convertible bonds	**17,248**	49,394
Share-based payments	**(3,899)**	(6,467)
Gain on acquisition of a jointly controlled entity	**149,911**	–
Share of profits of associates	**281,792**	66,645
Share of losses of jointly controlled entity	**(20,008)**	–
Consolidated profit after income tax	**901,606**	829,747

Assets	2010 RMB'000	2009 RMB'000
Reportable segment assets	**22,381,147**	17,155,111
Elimination of inter-segment receivables	**(2,264,935)**	(1,132,332)
Elimination of inter-segment investments	**(128,500)**	(96,152)
Other unallocated assets	**1,491**	608
Financial derivatives	**625**	51,491
Interests in associates	**1,263,247**	989,822
Interests in a jointly controlled entity	**738,468**	–
Consolidated total assets	**21,991,543**	16,968,548

Liabilities	2010 RMB'000	2009 RMB'000
Reportable segment liabilities	**19,729,560**	13,091,713
Elimination of inter-segment payables	**(2,264,935)**	(1,132,332)
Convertible bonds	**–**	902,642
Consolidated total liabilities	**17,464,625**	12,862,023

Geographical information

In view of the fact that the Group mainly operates in the PRC, no geographical segment information is presented.

Information about major customers

For the year ended 31 December 2010 and 2009, no single customer contributes 10% or more of the total sales of the Group.

4. ACQUISITION OF A JOINTLY CONTROLLED ENTITY/MINORITY INTERESTS

A jointly controlled entity acquired in 2010

On 29 March 2010, Hainan Jianqiao Property Corporation Ltd. ("Hainan Jianqiao"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the shareholders of Hainan Tianyuan Lifeng Shiye Company Limited (海南天源利豐實業有限公司) ("Tianyuan Lifeng") (the "Vendors") to acquire an aggregate of 50.1% equity interest in Tianyuan Lifeng. Tianyuan Lifeng has made a successful bid for certain land use rights in Haikou City (the "Land") and intends to, through three newly established companies (the "Project Companies"), build an integrated residential, commercial, office and hotel development on the Land. Upon the completion of the acquisition, Tianyuan Lifeng has become a jointly controlled entity of the Group.

On 29 March 2010, Hainan Jianqiao and the Vendors entered into a supplemental equity transfer contract pursuant to which it was agreed that, among other things, the Group should contribute, through Hainan Jianqiao, to the Project Companies, an aggregate of RMB1,500 million, including RMB200.4 million capital contribution and an interest-free shareholders' loan of RMB1,299.6 million.

Pursuant to the equity transfer contract and the supplemental equity transfer contract dated 29 March 2010, the Group and the Vendors agreed that the equity interests acquired by the Group will be limited to the assets and liabilities in relation to the Land (the "Acquired Assets and Liabilities") and any other assets and liabilities of Tianyuan Lifeng and its subsidiaries apart from the Acquired Assets and Liabilities (the "Assets and Liabilities to be disposed of") would be disposed of, and any future gain or loss arising from the disposal, together with the accumulated losses in relation to the Assets and Liabilities to be disposed of would be taken or borne by the Vendors only.

The following summarises the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

In RMB'000	**Pre-acquisition carrying amounts**	**Fair value adjustments**	**Recognised value on acquisition**
Trade and other receivables	500,000	–	500,000
Land acquisition right	–	1,050,400	1,050,400
Trade and other payables	(480,000)	–	(480,000)
Contribution by the Group *(i)*	–	408,165	408,165
Deferred tax liabilities	–	(364,641)	(364,641)
Net identifiable assets and liabilities	20,000	1,093,924	1,113,924
Adjusted net identifiable assets attributable to the Group			558,076
Consideration for the acquisition *(i)*			(408,165)
Gain from bargain purchase			149,911

(i) Pursuant to the equity transfer contract and the supplemental equity transfer contract, the Group shall provide an interest-free long-term shareholders' loan of RMB1,299.6 million (the "Shareholders' Loan") to the Project Companies. The Shareholders' Loan will be repaid to the Group by 10 equal annual instalments starting from 30 June 2011. The difference between the fair value and the nominal amount of the Shareholders' Loan amounting to RMB408.17 million, which represents the embedded interest cost, is regarded as the consideration for the acquisition. Such difference is accounted for as capital contribution in the Project Companies' financial statements and increases the Project Companies' net identifiable assets.

Minority interests acquired in 2010

On 19 July 2010, SPG Investment XII (BVI) Limited ("SPG XII") which is wholly-owned by the Company, entered into a share purchase agreement with Mausica Investment Limited to acquire an additional 29% equity interest in SPG Investment XI (BVI) Limited ("SPG XI"). Total consideration of RMB425 million was settled in cash in July 2010. The Group recognised a decrease in minority interests of RMB327 million and a decrease in retained earnings of RMB98 million. After the acquisition, SPG XI becomes a wholly-owned subsidiary of the Group. SPG XI is an investment holding company and indirectly owns 100% of the equity interests in three real estate projects in the PRC.

The following summarises the effect of changes in the Group's ownership interest in SPG XI:

	2010
	RMB'000
Group's ownership interest at the beginning of the year	**770,380**
Effect of increase in Group's ownership interest	**327,070**
Group's ownership interest at the end of the year	**1,097,450**

5. REVENUE

The amount of each significant category of revenue recognised during the year ended 31 December 2010 is as follows:

	2010	2009
	RMB'000	*RMB'000*
Sales of properties	**4,113,664**	2,926,572
Rental income	**29,069**	27,271
Property management income	**38,268**	26,113
Sales of goods and rendering of services	**12,959**	10,737
Tuition fee	**77,229**	74,748
Total	**4,271,189**	3,065,441

6. OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Government grants	**1,779**	2,177
Forfeited deposits from customers	**683**	2,030
Others	**961**	813
Total	**3,423**	5,020

7. OTHER OPERATING EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Donations	**9,243**	200
Penalty costs	**6,781**	3,764
Loss of fixed assets	**6,691**	–
Others	**1,290**	1,030
Total	**24,005**	4,994

8. EXPENSES BY NATURE

The following expenses are included in cost of sales, selling and marketing costs and administrative expenses:

	2010	2009
	RMB'000	*RMB'000*
Cost of properties sold	**2,899,867**	2,054,775
Auditors' remuneration		
– audit services	**3,000**	2,750
– audit-related services	**650**	–
Depreciation	**26,213**	25,516
Amortisation of land use rights	**1,739**	1,772
Operating lease charges	**8,768**	8,753

9. FINANCE INCOME AND EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Interest income on bank deposits	**59,615**	16,914
Interest income on long-term receivable measured at amortised cost	**48,236**	–
Finance income	**107,851**	16,914
Interest expenses on bank loans	**(354,508)**	(238,559)
Less: interest capitalised	**261,454**	194,943
Net interest expenses	**(93,054)**	(43,616)
Interest expenses on financial liabilities measured at amortised cost (*note 17*)	**(13,857)**	(39,369)
Interest expenses on long-term payable measured at amortised cost	**(3,436)**	(3,560)
Net change in fair value of other investments	**(2,287)**	477
Net foreign exchange gain/(loss)	**50,652**	(703)
Finance expenses	**(61,982)**	(86,771)
Fair value changes on financial derivatives (*note 17*)	**(20,123)**	50,263
Net finance income/(expenses)	**25,746**	(19,594)

10. INCOME TAX EXPENSE

(i) Income tax in the consolidated statement of comprehensive income represents:

	2010	2009
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprise income tax for the year	**299,260**	228,047
Provision for PRC land appreciation tax for the year	**104,880**	33,820
	404,140	261,867
Deferred tax		
Origination and reversal of temporary differences	**(71,973)**	(113,704)
Benefit of tax losses recognised	**(2,197)**	(11,116)
(Realisation)/recognition of withholding tax	**(18,400)**	14,000
Revaluation of investment properties	**72,733**	123,770
Fair value adjustments	**(24,142)**	(27,303)
Deferred PRC land appreciation tax	**258,117**	180,212
	214,138	165,859
Total income tax expense	**618,278**	427,726

Enterprise income tax

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year ended 31 December 2010.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the Corporate Income Tax Law ("New Tax Law") of the PRC passed by the Fifth Plenary Session of the Tenth National People's Congress on 16 March 2007 and effective from 1 January 2008, subsidiaries of the Group in the PRC are subject to PRC income tax at 25% (2009: 25%), except for Shanghai Cambridge (Group) Co., Ltd. ("Shanghai Cambridge"), Shanghai New Independence House Property Management Co., Ltd. ("Shanghai NIH"), Hainan Jianqiao and Kunming SPG Land Property Development Co., Ltd. ("Kunming SPG Land").

Shanghai Cambridge, Shanghai NIH and Hainan Jianqiao are currently subject to income tax at a rate of 22% (2009: 20%). Pursuant to the preferential tax policies issued by the PRC government in 2008 to encourage investment in the Western region of the PRC, Kunming SPG Land is subject to a concessionary income tax rate of 15% (2009: 15%).

Withholding tax

Pursuant to the New Tax Law, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax. As at 31 December 2010, withholding tax of RMB16,135,000 (2009: RMB14,000,000) have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries. Deferred tax liabilities of RMB11,223,000 (2009: RMB15,865,000) have not been recognised, as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain of the profits earned by the Group's PRC subsidiaries for the year ended 31 December 2010 will not be distributed in the foreseeable future.

Land appreciation tax

PRC land appreciation tax is levied on properties developed for sale by the Group at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all property development expenditures. Land appreciation tax of RMB362,997,000 has been included in profit or loss for the year ended 31 December 2010 (2009: RMB214,032,000).

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax. However, the implementation of these taxes varies amongst various provinces and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the profit or loss and provisions of land appreciation taxes in the period in which such determination is made.

(ii) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**1,519,884**	1,257,473
Less: PRC land appreciation tax	**(362,997)**	(214,032)
	1,156,887	1,043,441
Tax calculated at the rates applicable to respective companies that comprise the Group	**219,145**	222,480
Tax effect of share of results of associates and jointly controlled entity	**3,465**	(12,565)
Non-deductible expenses, net of non-taxable income	**2,176**	(985)
Unused tax losses not recognised	**15,099**	4,577
Under-provision in prior years	**(739)**	(13,813)
	239,146	199,694
PRC land appreciation tax	**362,997**	214,032
Withholding tax	**16,135**	14,000
Total	**618,278**	427,726

Profit before income tax of the Group for the year ended 31 December 2010 was mainly generated by Suzhou Runjian and Shanghai Oriental, which are subject to PRC income tax at 25%.

In accordance with the accounting policy, the Group has not recognised deferred tax assets in respect of cumulative tax losses of certain subsidiaries for the year ended 31 December 2010 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

11. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Final dividends in respect of previous financial year, declared and paid during the year (i)	**56,402**	51,185
Interim dividends declared and paid during the year (ii)	**–**	30,326
Final dividends proposed after the balance sheet date (iii)	**68,390**	56,402

(i) The Board of Directors proposed final dividends of RMB56,402,000 (RMB5.5 cents per ordinary share) and a bonus share issue of 1 bonus share for every 40 existing shares then held in respect of the year ended 31 December 2009 at the meeting held on 5 March 2010, which was approved by the Annual General Meeting on 10 May 2010. The cash dividends were paid on 20 May 2010 and reflected as an appropriation of retained earnings for the year ended 31 December 2010. The bonus shares were despatched on 20 May 2010 and reflected as an appropriation of share premium.

(ii) The Board of Directors has resolved not to declare any interim dividend in respect of the six months ended 30 June 2010.

(iii) The Board of Directors has resolved to propose dividends of RMB68,390,000 (RMB6.5 cents per ordinary share) in respect of the year ended 31 December 2010. The dividends proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

12. EARNINGS PER SHARE (RESTATED)

As required by IAS 33 'Earnings per Share', prior period's basic and diluted earnings per share have been restated to include the impact of the bonus issue which took place during the year. Pursuant to an ordinary resolution passed at the Annual General Meeting of the Company held on 10 May 2010, bonus shares were issued on the basis of one new share for every forty shares.

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 was based on the profit attributable to equity holders of the Company of RMB890,206,000 (2009: RMB678,520,000) and the weighted average number of ordinary shares of 1,051,128,275 (2009: 1,053,302,221 (restated)) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010	2009
		(Restated)
Ordinary shares issued at 1 January	**1,025,491,000**	1,030,115,000
Effect of shares repurchased	**–**	(2,503,077)
Effect of bonus issue	**25,637,275**	25,690,298
Weighted average number of ordinary shares at 31 December	**1,051,128,275**	1,053,302,221

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding based on the assumption that all dilutive potential ordinary shares are converted.

The Company has 16,430,750 share options outstanding as at 31 December 2010, of which 3,449,125 shares are dilutive potential ordinary shares. Calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of diluted earnings per share for the year ended 31 December 2010 was based on the profit attributable to equity holders of the Company of RMB907,563,000 (2009: RMB618,232,000) and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 1,102,422,896 (2009: 1,180,699,260 (restated)), calculated as follows:

(i) Weighted average number of ordinary shares (diluted)

	2010	2009 (Restated)
Weighted average number of ordinary shares (basic)	**1,051,128,275**	1,053,302,221
Effect of share options in issue	**227,244**	–
Effect of conversion of convertible bonds	**51,067,377**	127,397,039
Weighted average number of ordinary shares (diluted) at 31 December	**1,102,422,896**	1,180,699,260

(ii) Profit attributable to ordinary equity holders of the Company (diluted)

	2010 ***RMB'000***	2009 *RMB'000*
Profit attributable to ordinary equity holders (basic)	**890,206**	678,520
Effect of effective interest on the liability component of convertible bonds	**13,857**	39,369
Effect of gain recognised on repurchase of convertible bonds	**(17,248)**	(49,394)
Effect of loss/(gain) recognised on the derivative component of convertible bonds	**20,748**	(50,263)
Profit attributable to ordinary equity holders (diluted)	**907,563**	618,232

13. TRADE, OTHER RECEIVABLES AND ADVANCE DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Receivables due from related parties:				
– Subsidiaries	**–**	–	**590,711**	184,255
– Other related parties	**1,909**	4,051	**32**	32
	1,909	4,051	**590,743**	184,287
Trade receivables due from third parties	**5,499**	5,381	**–**	–
Advance payments to contractors	**74,480**	65,265	**–**	–
Advance deposits for acquisition of land use rights	**2,714,149**	457,767	**–**	166,297
Non-trade receivables	**221,504**	149,203	**–**	–
Tax prepayments	**252,728**	183,211	**–**	–
Total	**3,270,269**	864,878	**590,743**	350,584

The receivables due from related parties are unsecured, non-interest bearing and repayable on demand.

Non-trade receivable balances, deposits and advances to third parties are expected to be settled or recovered within one year.

Tax prepayments mainly represent prepayment of business tax during the pre-sale stage of certain properties under development.

The ageing analysis of trade receivables at each balance sheet date is as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**4,611**	3,876
Over 90 days and within 180 days	**388**	310
Over 180 days and within 365 days	**500**	1,180
Over 365 days	**–**	15
	5,499	5,381

14. LONG-TERM RECEIVABLE

	Term	Initial Cost	Group	
			2010	2009
		RMB'000	***RMB'000***	*RMB'000*
Long-term receivable	10 years	1,300,000	**939,672**	–
Less: Long-term receivable due within 1 year			**(125,486)**	–
Long-term receivable due after 1 year			**814,186**	–

The amount is repayable as follows:

Within 1 year	**125,486**	–
Over 1 year and within 2 years	**113,103**	–
Over 2 years and within 5 years	**247,166**	–
After 5 years	**453,917**	–
	939,672	–

Long-term receivable represents shareholders' loan provided to Tianyuan Lifeng. The amount is non-interest bearing and repayable in 10 annual instalments of RMB130,000,000 each, starting from 11 June 2011.

15. TRADE, OTHER PAYABLES AND ADVANCE RECEIPTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Payables due to related parties:				
Non-trade related:				
– Dividends payable	**9,173**	9,173	**–**	–
– Subsidiaries	**–**	–	**878,558**	797,572
– Other related parties	**2,665,911**	12,762	**–**	–
	2,675,084	21,935	**878,558**	797,572
Trade payables	**1,752,740**	1,118,601	**–**	–
Advance receipts from customers	**5,303,410**	3,578,948	**–**	–
Other taxes payable	**48,758**	85,005	**–**	–
Dividends payable	**96**	96	**96**	96
Non-trade payables and accrued expenses	**382,095**	788,291	**11,921**	8,143
Total	**10,162,183**	5,592,876	**890,575**	805,811

The payables due to related parties are unsecured, non-interest bearing and repayable on demand.

The ageing analysis of trade payables at each balance sheet date is as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**970,307**	661,539
Over 90 days and within 180 days	**471,033**	261,862
Over 180 days and within 365 days	**235,298**	153,659
Over 365 days and within 3 years	**76,102**	41,541
	1,752,740	1,118,601

16. LONG-TERM PAYABLE

			Group	
	Term	**Initial Cost**	**2010**	2009
		RMB'000	***RMB'000***	*RMB'000*
Long-term payable	15 years	58,453	**48,738**	51,301
Less: Long-term payable due within 1 year			**(6,000)**	(6,000)
Long-term payable due after 1 year			**42,738**	45,301

The amount is repayable as follows:

Within 1 year	**6,000**	6,000
Over 1 year and within 2 years	**5,682**	5,613
Over 2 years and within 5 years	**15,296**	14,757
After 5 years	**21,760**	24,931
	48,738	51,301

Long-term payable represents construction cost payable to a contractor. The amount is non-interest bearing and repayable in 15 annual instalments of RMB6,000,000 each, starting from 1 September 2008.

	Company	
	2010	2009
	RMB'000	*RMB'000*
Due to subsidiary	**952,229**	–

Long-term payable represents amounts due to certain subsidiary. The payable is interest bearing and repayable over one year but within two years.

17. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

On 27 April 2007, the Company issued USD Settled Zero Coupon Convertible Bonds due in April 2012 in the aggregate principal amount of RMB1,158,000,000. The subscription amount payable in respect of each unit of the Convertible Bonds is RMB100,000 (approximately USD12,952). The Convertible Bonds are listed on Singapore Exchange Securities Trading Limited. The details of the principal terms of the Convertible Bonds are set out in the Company's 2007 annual report.

On 29 December 2008, the Company repurchased 1,000 units of Convertible Bonds with a total principal amount of RMB100,000,000. The bonds were repurchased with a total consideration of USD5,858,946, equivalent to RMB40,000,000. These bonds were cancelled upon repurchase.

On 25 February 2009 and 19 May 2009, the Company repurchased 540 and 1,144 units of Convertible Bonds with total principal amounts of RMB54,000,000 and RMB114,400,000 respectively. The bonds were repurchased with total considerations, including transaction costs, of USD4,079,508 and USD14,221,425, equivalent to RMB27,864,000 and RMB97,084,000 respectively. These bonds were cancelled upon repurchase.

On 27 April 2010, the Company used an aggregate amount of approximately USD128,000,000, equivalent to RMB874,500,000 to redeem the Convertible Bonds with an aggregate principal amount of RMB817,700,000. The redeemed bonds were cancelled upon the redemption. The gain of RMB16,745,000 in relation to the liability component was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2010.

On 27 October 2010, the Company used an aggregate amount of approximately USD11,600,000, equivalent to RMB77,700,000 to fully redeem the remaining outstanding Convertible Bonds with an aggregate principal amount of RMB71,900,000 ("Outstanding Bonds"). The Outstanding Bonds were cancelled upon the redemption. The gain of RMB503,000 in relation to the liability component was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2010. The accumulated balance in capital reserve of RMB14,903,000 in relation to the option to convert the liability component into ordinary shares of the Company was released to retained profits.

The fair value of the embedded derivative of the Convertible Bonds was calculated using certain valuation models. The major inputs used in the models as at 27 October 2010 (date of full redemption) and 31 December 2009 were as follows:

	Redemption option of the Company	
	27 October 2010	**31 December 2009**
Stock price	HKD4.12	HKD4.67
Exercise price	HKD7.28	HKD7.53
Risk-free rate	0.375%	0.734%
Expected life	18 months	28 months
Volatility	59.85%	87.37%

The stock prices were as at 27 October 2010 and 31 December 2009 respectively. The exercise price was adjusted to HKD7.28 on 20 May 2010. The risk-free rates were determined with reference to the Hong Kong Exchange Fund Notes Yields as extracted from Bloomberg. The expected life was the remaining life of the Convertible Bonds. The volatilities were determined based on the historical price volatility of the Company.

Any changes in the major inputs used in the model will result in changes in the fair value of the embedded derivative. The variables and assumptions used in calculating the fair value of the embedded derivative are based on the directors' best estimates.

The movement of the liability component, the embedded derivative and the equity component of the Convertible Bonds for the year is set out below:

	Liability component	**Redemption option of the Company**	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2009	1,029,227	(3,382)	109,164	1,135,009
Interest charged during the year ended 31 December 2009	39,369	–	–	39,369
Changes in fair value	–	(50,263)	–	(50,263)
Derecognised due to redemption	(165,954)	2,154	(10,542)	(174,342)
As at 31 December 2009	902,642	(51,491)	98,622	949,773
Interest charged during the year ended 31 December 2010	13,857	–	–	13,857
Changes in fair value	–	20,748	–	20,748
Derecognised due to redemption *(i)*	(916,499)	30,743	(98,622)	(984,378)
As at 31 December 2010	–	–	–	–

The changes in the fair value of the embedded derivative from 31 December 2009 to 31 December 2010 resulted in a fair value loss of RMB20,748,000, which has been recorded as "Fair value changes on financial derivatives" in profit or loss for the year ended 31 December 2010.

(i) The allocation of consideration paid and transaction costs for the redemption and calculation of resulting gain or loss is as follows:

	Carrying value	**Fair Value**	**Difference**
	RMB'000	*RMB'000*	*RMB'000*
Liability component	916,499	899,251	17,248
Issuer's redemption option	(30,743)	(30,743)	–
Equity component	98,622	83,719	14,903
Total	984,378	952,227	32,151

(b) Financial derivative assets

	2010 *RMB'000*	2009 *RMB'000*
Interest rate swaps	**625**	–

During the year ended 31 December 2010, interest rate swaps, denominated in Hong Kong dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure. At 31 December 2010, the Group had interest rate swaps with a notional contract amount of HKD400,000,000 (2009: Nil) to fix the interest rate of certain bank borrowings so as to reduce the impact of interest rate fluctuation. The swaps mature over the next 2.5 years, matching the maturity of the related loans and have fixed swap rates ranging from 0.79% to 0.995%.

The fair value of interest rate swap is determined by discounting the future cash flows of the contracts at the current market interest rates. The changes in the fair value during the year resulted in a fair value gain of RMB625,000, which has been recorded as "Fair value changes on financial derivatives" in profit or loss for the year ended 31 December 2010.

18. SHARE-BASED PAYMENTS

(a) The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares involved in the option	**Vesting condition**	**Contractual life of options**
Options granted to directors:			
– on 19 September 2006	7,500,000	(i) 25% on the date of grant at an exercisable price of HKD3.824 per share; (ii) 25% on each of the first, second and third anniversary of the date of grant at an exercisable price of HKD4.302 per share	5 years
– on 3 December 2007	10,000,000	25% on the date of grant and on each of the first, second and third anniversary of the date of grant at an exercisable price of HKD6.526 per share	5 years
Options granted to employees:			
– on 19 September 2006	11,040,000	(i) 25% on the date of grant at an exercisable price of HKD3.824 per share; (ii) 25% on each of the first, second and third anniversary of the date of grant at an exercisable price of HKD4.302 per share	5 years
– on 10 October 2007	640,000	30% on the date of grant, 30% and 40% on the first and second anniversary of the date of grant at an exercisable price of HKD6.3 per share	5 years

	Number of shares involved in the option	Vesting condition	Contractual life of options
– on 30 October 2009	9,000,000	(i) 1/3 on the date of grant at an exercisable price of HKD4.59 per share; (ii) 1/3 before the first anniversary of the date of grant as and when the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the past 10 consecutive business days immediately preceding the date is higher than HKD8 at an exercisable price of HKD8.00 per share; (iii) 1/3 before the second anniversary of the date of grant as and when the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the past 10 consecutive business days immediately preceding the date is higher than HKD12 at an exercisable price of HKD12.00 per share	5 years
Total share options	38,180,000		

(b) The number and weighted average exercise price of share options are as follows:

	Year ended 31 December 2010		Year ended 31 December 2009	
	Weighted average exercise price	Number of shares involved in the options	Weighted average exercise price	Number of shares involved in the options
Outstanding at 1 January	HKD6.061	19,350,000	HKD4.273	12,785,000
Granted	–	–	HKD8.197	9,000,000
Exercised	–	–	–	–
Bonus issue impact	–	483,750	–	–
Lapsed	HKD7.446	(3,403,000)	HKD4.565	(2,435,000)
Outstanding at 31 December	HKD5.596	16,430,750	HKD6.061	19,350,000
Exercisable at 31 December	HKD4.189	13,355,750	HKD4.138	7,714,500

The options outstanding at 31 December 2010 have an exercise price in the range of HKD3.731 to HKD11.707 and a weighted average remaining contractual life of 1.88 years (2009: 5.76 years).

During the year ended 31 December 2010, an employee voluntarily resigned from the Group and therefore ceased to be entitled to the share options granted by the Company. On 30 October 2010, the vesting condition of 3,000,000 share options granted in 2009 was not satisfied and relevant employee ceased to be entitled to such portion of the share options. The number of shares involved in the above lapsed share options amounted to 3,403,000 shares with a weighted average exercise price of HKD 7.446.

During the year, an expense of RMB3.9 million (2009: RMB6.5 million) in relation to share-based payments is charged to administrative expenses in profit or loss.

19. INVESTMENT PROPERTIES

		2010	2009
		RMB'000	*RMB'000*
Completed investment properties held to earn rentals or for capital appreciation or both	*(a)*	**1,223,000**	1,138,500
Investment properties under construction or development	*(b)*	**725,000**	502,000
Balance at 31 December		**1,948,000**	1,640,500

a) Completed investment properties held to earn rentals or for capital appreciation or both

	2010	2009
	RMB'000	*RMB'000*
Balance at 1 January	**1,138,500**	723,000
Additions	**1,374**	–
Transfer from completed properties held for sale	**1,476**	149,558
Transfer from investment properties under construction or development *(b)*	**68,000**	–
Fair value adjustments:		
Transfer to profit or loss	**13,650**	265,942
Balance at 31 December	**1,223,000**	1,138,500

b) Investment properties under construction or development

	2010	2009
	RMB'000	*RMB'000*
Balance at 1 January	**502,000**	–
Additions	**75,447**	–
Transfer from properties under development	**–**	250,688
Transfer to investment properties *(a)*	**(68,000)**	–
Fair value adjustments:		
Transfer to profit or loss	**215,553**	251,312
Balance at 31 December	**725,000**	502,000

All the Group's investment properties are stated at fair value at 31 December 2010. The fair values were arrived at based on valuations carried out by DTZ Debenham Tie Leung Limited. The valuations, which conform to the Valuation Standards (First Edition 2005) on Valuation of Properties published by the Hong Kong Institute of Surveyors, have been determined by reference to comparable sales evidence and, where appropriate, by capitalisation of net income. The revaluation gains have been credited to profit or loss of the respective year, or, in the case of revaluation gains arising on transfer of an item of property, plant and equipment to investment properties following a change in use, to equity directly.

As at 31 December 2010, investment properties with a total carrying value of RMB1,160,654,000 (2009: RMB521,935,000) were pledged as collateral for the Group's borrowings.

20. INTERESTS IN ASSOCIATES

	Note	2010 RMB'000	2009 RMB'000
Shanghai ZhongXin Asset Management Co., Ltd.	*(a)*	**110,144**	115,999
The Peninsula Shanghai Waitan Hotel Company Limited	*(b)*	**1,149,466**	873,823
Shanghai Zhaozhi Shiye Co., Ltd.	*(c)*	**3,637**	–
		1,263,247	989,822

a) Shanghai ZhongXin Asset Management Co., Ltd. ("Shanghai ZhongXin")

	2010 RMB'000	2009 RMB'000
Cost of investment	**26,933**	26,933
Goodwill on acquisition	**2,794**	2,794
Share of post-acquisition profit	**59,417**	53,272
Loan	**21,000**	33,000
	110,144	115,999

The loan to Shanghai ZhongXin of RMB21,000,000 (2009: RMB33,000,000) represents the Group's proportional share of a shareholders' loan, which is unsecured, interest free and has no fixed terms of repayment.

b) The Peninsula Shanghai Waitan Hotel Company Limited ("Peninsula Waitan")

	2010 RMB'000	2009 RMB'000
Cost of investment	**867,013**	867,013
Additional investment in paid-in capital	**13,665**	13,665
Share of post-acquisition profit/(losses)	**268,788**	(6,855)
	1,149,466	873,823

Peninsula Waitan is 50% owned by the Group, and is engaged in development, operation and management of The Peninsula Shanghai Waitan Hotel.

The share of post-acquisition profit of Peninsula Waitan for the year ended 31 December 2010 was mainly attributable to the revaluation gain on Peninsula Waitan's investment properties.

c) Shanghai Zhaozhi Shiye Co., Ltd. ("Shanghai Zhaozhi")

	2010 RMB'000	2009 RMB'000
Cost of investment	**3,633**	–
Share of post-acquisition profit	**4**	–
	3,637	–

Shanghai Zhaozhi is 36.33% owned by the Group, and is engaged in development of properties.

d) Summary of financial information relating to the associates, not adjusted for the percentage of ownership held by the Group, is as follows:

31 December 2010

In RMB'000	**Assets**	**Other liabilities**	**Shareholders' loans and equity**	**Revenue**	**Profit**
Shanghai ZhongXin	**752,487**	**385,340**	**367,147**	**43,736**	**20,486**
Peninsula Waitan	**5,251,845**	**2,924,229**	**2,327,616**	**332,887**	**550,235**
Shanghai Zhaozhi	**37,851**	**27,840**	**10,011**	**–**	**11**

31 December 2009

In RMB'000	Assets	Other liabilities	Shareholders' loans and equity	Revenue	Profit
Shanghai ZhongXin	768,822	382,161	386,661	33,000	167,533
Peninsula Waitan	4,279,216	2,501,851	1,777,365	38,346	39,643

21. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2010 ***RMB'000***	2009 *RMB'000*
Tianyuan Lifeng	**738,468**	–
Cost of investment	**758,476**	–
Share of post-acquisition losses	**(20,008)**	–
	738,468	–

Tianyuan Lifeng is 50.1% owned by the Group, and is mainly engaged in property development in Haikou, Hainan Province, the PRC.

Summary of financial information relating to the jointly controlled entity, not adjusted for the percentage of ownership held by the Group, is as follows:

31 December 2010

In RMB'000	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Income**	**Expense**
Tianyuan Lifeng	1,420,370	377,397	441	1,131,119	64	40,000

BUSINESS REVIEW

The financial year ended 31 December 2010 ("FY2010") was a year of continued steady growth for the Group notwithstanding that the Chinese Central Government introduced and implemented a series of tightening measures. During the year under review, the Group recorded a total revenue of approximately RMB4,271,189,000 (2009: RMB3,065,441,000), representing an increase of approximately 39%. Net profit attributable to equity holders of the Company was approximately RMB890,206,000 (2009: RMB678,520,000), up 31% over the same period last year. Basic and diluted earnings per share attributable to equity holders of the Company amounted to RMB0.847 and RMB0.823 (2009 (restated): RMB0.644 and RMB0.524) respectively for the twelve months ended 31 December 2010. The Board has recommended the payment of a final dividend for 2010 of RMB6.5 cents per share.

For FY2010, the Group conducted its business activities in the following major business segments: property development, hotel development, property investment and ancillary business. Among all, property development remains the core business and key revenue generator of the Group.

Under the current economic conditions, the Group proceeded with its planned schedule for development projects, proactively adjusted its marketing strategies to tailor the consumers' needs and persistently strengthened its internal management to further explore cost-saving potentials.

Property Development

In FY2010, the Group satisfactorily accomplished its completion and delivery targets as planned. The total GFA sold and delivered was 305,798 sq.m. (2009: 306,885 sq.m.) while the revenue booked from property sales added up to approximately RMB4,114 million, representing a year-on-year ("YoY") increase of approximately 41% (2009: RMB2,926 million). The growth of revenue from property sales was on track. The revenue growth was mainly attributable to the additions of several key projects in Yangtze River Delta region.

	Approximate area sold and delivered in 2010	Approximate sales recognized in 2010	Average selling price
	sq.m.	*RMB'000*	*RMB/sq.m.*
Cambridge Forest Newtown – Phase VD	2,552	52,868	20,716
Cambridge Forest Newtown – Phase VF villa	1,346	43,500	32,318
Cambridge Waters-Phase II D2 – apartments	19,041	193,034	10,138
Cambridge Waters-Phase II D3 – villas	954	10,277	10,773
Cambridge Waters-Phase II F – apartments	103,252	1,314,338	12,729
Cambridge Watertown – Villas	5,672	102,485	18,069
Cambridge Watertown – Townhouses	1,377	16,706	12,132
Haikou Florea-Phase I – A	620	4,719	7,611
Haikou Florea-Phase I – B	2,713	25,591	9,433
Haikou Florea-Phase I – C	589	4,655	7,903
Haikou Florea-Phase I – D	1,184	10,993	9,285
Haikou Florea-Phase II – F	24,846	200,138	8,055
Kunming Metropolitan – Phase I	27,525	185,953	6,755
Kunming Metropolitan – Phase III	1,171	5,573	4,759
Changshu La Casa – Phase I villas	36,364	360,348	9,909
Suzhou Global 188 – Office building	23,829	472,917	19,846
Suzhou Global 188 – Apartments	36,750	828,615	22,547
Holiday Inn – Serviced apartment-residential	14,318	246,558	17,220
Holiday Inn – Serviced apartment-loft	1,695	34,396	20,293
Total	305,798	4,113,664	13,452

During the year under review, the Group's contracted sales reached approximately RMB6,390 million and aggregate contracted GFA was 482,173 sq.m.. This represents a YoY growth of approximately 15% in value (2009: RMB5,544 million) and a YoY increase of 1% in GFA (2009: 476,995 sq.m). We also achieved an increase in average selling price ("ASP") from RMB11,623 per sq.m. in 2009 to RMB13,252 per sq.m in FY2010, representing an increase of 14%..

During FY2010, the contracted sales from the 2nd-tier cities contributed a major part of the Group's total contracted sales, reaching to approximately 52%. This included Suzhou Global 188 (32%), Changshu La Casa (9%), Kunming the Metropolitan (5%) and Haikou Flora (6%).

In response to the strict tightening measures launched by the Central Government, the Group adopted flexible marketing strategies in launching new projecs, prudent treasury management and credit control, and managed to achieve satisfactory sales performance and maximize the value of its property projects portfolio.

Land Bank Replenishment

The Group adheres to a land bank replenishment strategy of maintaining the pipeline of land bank that is sufficient to support the Group's development in the future five years. In FY2010, the Group strategically and selectively expanded its land bank and accomplished the whole-year target by adding quality land bank of approximately 2.5 million sq.m.. The Group was able to further penetrate the business presence and footholds in Haikou and Wuxi.

- *Jin Gui Li and Taihu Avenue No. 1, Wuxi City, Jiangsu Province*

  On 8 February 2010, the Group successfully won the bids for two prime sites in Wuxi, Jiangsu Province. At the Central Business District ('CBD') of Taihu New Town, with planned GFA of approximately 778,383 sq.m., the development site was acquired at a total consideration of approximately RMB3.53 billion. The new project is designated to become a landmark development in Taihu New Town, echoing the glory of Xi Shui Dong (one of the prominent city-centre integrated development projects in Wuxi being developed by the Group). The project is adjacent to the Jin Gui Park and will be developed into a high-end residential community with a total GFA of approximately 604,880 sq.m. and the remaining GFA of approximately 173,503 sq.m. will be allocated for commercial development. The project is a joint-venture between the Group (60%) and Wuxi Taihu New Town Construction Investment and Management Co., Ltd. (40%).The second project is situated along Taihu Avenue where a parcel of land of approximately 263,000 sq.m. (GFA of approximately 682,000 sq.m.) was acquired at a consideration of RMB1.42 billion. The mixed-use project will be developed into a large-scale residential community set at international standards, with a sizeable commercial component along the frontage of Taihu Avenue.

- *Hai Chang Liu Project, Haikou City, Hainan Province*

  On 29 March 2010, the Group further acquired 50.1% equity interest of a project held by Hainan Tianyuan Lifeng Shiye Co., Ltd. which acquired it through listing-for-sale in October 2009. The site is situated at the west coast of Haikou city and next to the New City Hall of the Government Administration of Haikou. The project will be developed on a site area of approximately 339,720 sq.m. (GFA of approximately 1,000,652 sq.m.). The project is expected to be launched into the market in the fourth quarter of 2011.

  As at 31 December 2010, the Group held a quality land bank of approximately 5.95 million sq.m., well in line with the Group's sustainable expansion strategy.

Strategic Cooperation with Banking Partners

In March 2010, the Group entered into strategic cooperation agreements with Industrial and Commercial Bank of China ('ICBC'). During the year under review, the Group was granted with international loan facilities of RMB10 billion to support the financing needs of the Group's project development over the next two years.

On 6 July 2010, the Group entered into a 3-year term loan facility agreement relating to the provision of a term loan facility of up to HK$500 million with the Bank of East Asia Limited ('BEA'). In addition, the Bank of East Asia (China) Limited ('BEA China'), Shanghai Branch, granted a RMB facility of up to RMB600 million to the Company for the development of Suzhou Global 188 project.

Hotel Development

To ensure stable and long-term recurring income, the Group develops the hotel business through expansion of product line and diversification of our portfolio. The Group has worked closely with a number of internationally reputable operators such as the Peninsula Group, the Inter Continental Hotel Group, Fraser Hospitality, GHM Hotels, etc.

Our first and crown-jewel city-centre integrated project, the Peninsula Shanghai development on the historic Bund, had its hotel and shopping arcade grand opening in March 2010. The World Expo in 2010 has no doubt brought huge success and opportunities for Peninsula Shanghai. On top of that, the hotel has achieved numerous awards from hospitality and travel industries.

The Hidden Tiger Golf Club in Huangshan, Anhui Province, was also put into services on 30 October 2010. The club, boasting its world-class golf practicing facility and first-rated IMG management, is the first completion of Taiping Lake holiday resort. Crowne Plaza Hotel, with its ancillary recreational facilities, is scheduled to be completed by 2012.

Our second hotel in Shanghai, the Holiday Inn Shanghai Pudong Kangqiao, located strategically within Cambrige Forest Newtown and close to Pudong International Airport and Shanghai Disney's future site, will have 400 hotel rooms, food and beverage facilities, conference rooms and clubhouse. This hotel was practically completed in 2010 and is scheduled to start business in March 2011.

Investment Properties and Ancillary Services

To generate stable and recurring income, the Group holds some of its properties for leasing. The Group leased out an aggregate GFA of approximately 97,941 sq.m.. The two-storey Peninsula Arcade features a collection of leading international luxury brands and flagship stores standing as the trophy investment asset of the Group.

The Group also takes part in educational segment, by operating one of the most prestigious kindergartens in Shanghai (The China Welfare Institute Kindergarten), a post-secondary college (Shanghai Sipo Polytechnic) and a training centre (Shanghai Sipo Vocational Technical Training Centre). Revenue from this segment represents approximately 2% of the Group's total revenue as long-term recurring income.

Property Management and Related Services

By the end of 2010, Shanghai New Independence House Property Management Co., Ltd, (subsequently renamed to “Shanghai SPG Property Services Co., Ltd. in January 2011), a subsidiary of the Group was providing property management services, generated property management and related services income, after intra-group elimination, amounting to approximately RMB38 million, an increase of 47% from last year. As in 2010, the Group provided property management services to properties with a total GFA of around 1,583,762.75 sq.m..

To further enhance the value of Peninsula development, the associated company of the Group, Peninsula Shanghai Waitan, signed a 10-year exclusive management contract for Building No. 1 and a 20-year leasing contract for Buildings No. 2 & 3 for 33 The Bund.

Outlook

In spite of all the uncertainties surrounding the Chinese property market, we envisage more opportunities will arise in future and our ability to pursue such opportunities selectively will lead us to achieve even better results in the comewng years. Going forward, the Group will closely observe the future market trends in a pro-active and rational manner. The Group will continue to adopt its “2+X” product strategy, enhance its brand name and diversify product line and geographic span. To maximize the value of its shareholders, the Group will persistently develop and deliver premium quality products and services to our customers. As many of our large-scale developments in second-tier cities will reach more mature stages in terms of GFA available for sale and GFA to be delivered, together with the commencement of newly acquired projects, the Group is anticipated to experience sustainable business growths in the years to come.

FINANCIAL ANALYSIS

Revenue

The total revenue for the Group for the year 2010 increased by approximately 39% from approximately RMB3,065 million to approximately RMB4,271 million. In terms of the overall unit selling price and volume of transactions, a table of analysis on the sales of properties is provided as follows:

Type	**GFA sold & delivered**	**Average selling price**
Villas	44,336	11,652
Apartments, office buildings and townhouse	261,462	13,757
Total	305,798	13,452

In 2010, the Group successfully completed the development and delivered residential units in Cambridge Watertown, Kunming Metropolitan Phase I & III, Haikou Florea – Phase I & II, Changshu La Casa-Phase I, Holiday Inn residential apartments, Suzhou Global 188-Office Building & Apartment I, Cambridge Forest Newtown and Cambridge Waters. The total GFA delivered reached 305,798 sq.m. (2009: 306,885 sq.m.).

The averaging selling price increased by 41% in year 2010, which was mainly attributable to the newly-delivered Holiday Inn residential apartments & lofts and Suzhou Global 188 office building in year 2010.

Segmental Information

The Group's business is currently categorized into four operating segments – sales of property, lease of property, property management and other related services, and education. An analysis of the Group's revenue is as follows:

Revenue Stream

	Year ended 31 December		
	2010	2009	Change
	RMB'000	*RMB'000*	*RMB'000*
Sales of property	**4,113,664**	2,926,572	1,187,092
Rental income	**29,069**	27,271	1,798
Property management income & other related service	**51,227**	36,850	14,377
Education	**77,229**	74,748	2,481
Total	**4,271,189**	3,065,441	1,205,748

Sales of property remained to be the core business activity, and generated a revenue of RMB4,114 million (2009: RMB2,927 million), accounting for 96% of the total revenue, and representing a year-on-year increase of 40.6%. Revenue from the leasing business grew by 6.6% to RMB29.1 million (2009: RMB27.3 million). Income derived from property management and related services grew by 38.8% to approximately RMB51.2 million (2009: RMB36.9 million). Revenue from education was approximately RMB77.2 million (2009: RMB74.8 million), representing an increase of 3.3% over the year.

Cost of Sales

Total cost of sales in 2010 increased by 39.7% from RMB2,151 million to RMB3,004 million, which is in line with the increase in revenue.

Gross Profit and Margin

Gross profit increased by 38.6% from RMB914 million in 2009 to RMB1,267 million in 2010 while gross profit margin maintained at a stable level of about 29.7% for the year 2010 (2009:29.8%).

Other Operating Income

In 2010, other operating income decreased from RMB5.02 million in 2009 to RMB3.42 million.

Operating Expenses

In 2010, the selling and marketing costs increased to approximately RMB150 million from approximately RMB117 million in 2009 as a result of the significant increase of contracted sales occurred during the year by launching effective marketing campaigns.

Administrative expenses increased from RMB154 million to RMB260 million, representing a rise of 68.9% over the year 2009, mainly because of the increase in travelling, transportation and entertainment expenses in connection with the acquisition of land outside Shanghai in 2010, the increase in the number of employees and the increase in professional fees.

Other operating expenses increased from approximately RMB5 million in 2009 to approximately RMB24 million, which was mainly because of the donation to Charity Fund.

Net Finance Income

The net finance income of approximately RMB26 million in 2010 compared to net finance expenses of approximately RMB20 million in 2009. This significant increase over the previous year was mainly attributable to interest income from long term receivables.

Share of Profit of Associates

The Group enjoyed a net profit from the share of operating results of associates in 2010 that amounted to approximately RMB282 million as compared to approximately RMB67 million in last year. The profit was attributable to the contribution from the Peninsula Shanghai Waitan Hotel project.

Revaluation Gain on Investment Properties

The Group recorded revaluation gains totaled approximately RMB229 million in 2010, as compared with RMB517 million in last year, which was mainly due to the market value of investment properties in China which rose in year 2010.

Income Tax

Income tax increased by approximately 44.6% from approximately RMB428 million in 2009 to approximately RMB618 million in 2010, while the effective tax rate remained at a stable level of 21% (2009: 19%) The increase in tax amount was mainly attributable to the increase of sales volume.

Profit Attributable to Equity Holders of the Company

The Group achieved a profit attributable to equity holders of RMB890 million (2009: RMB679 million), up RMB211 million or 31% over the previous year. Earnings per share rose by 31.5% to RMB0.847 from RMB0.644 (restated) in 2009.

Net profit margin for the year decreased from 27% in 2009 to 21% in 2010, which was mainly attributable to decrease in Revaluation Gains on Investment Properties.

Financial Position

Equity attributable to equity holders of the Company reached approximately RMB4,419 million as at 31 December 2010 (31 December 2009: RMB3,763 million). Total assets amounted to approximately RMB21,992 million (31 December 2009: RMB16,969 million) and total liabilities stood at approximately RMB17,465 million (31 December 2009: RMB12,862 million).

Liquidity and Financial Resources

The long-term funding and working capital required by the Group primarily comes from income generated from core business operations, bank borrowings and cash proceeds raised from the issuance of the convertible bonds in late April 2007, which were used to finance its business operations and investment in development projects. The Group's liquidity position was well-managed in 2010 and net gearing (total borrowings less cash and cash equivalents including restricted cash over total equity) stood at a healthy level of 52.6% as at 31 December 2010. The Group had total cash and cash equivalents of approximately RMB3,500 million, total borrowings approximately of RMB5,882 million and the stronger equity base of approximately RMB4,527 million as at 31 December 2010 (2009: RMB4,107 million).

Of the total borrowings, approximately RMB1,535 million was repayable within one year while approximately RMB4,347 million was repayable after more than one year. The effective interest rate for 2010 was 6.24% (2009: 5.03%).

Treasury Policy

The business transactions of the Group were mainly denominated in Renminbi. Except for fund raising transactions in capital market, there is limited exposure in foreign exchange risk.

The Group has established a treasury policy with the objective of better controlling of treasury functions and lowering cost of funds. In providing funds to all its operations, funding terms have been centrally reviewed and monitored at Group level.

In accomplishing the aim of minimizing interest risk, it is the policy of the Group to continue to closely monitor and manage the Group's loan portfolio by its existing agreements' interest margin spread with market interest rates and offers from banks.

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sales and purchase agreements or lease agreements.

Pledge of Assets

As at 31 December 2010, the Group pledged properties and land use rights with carrying amount of approximately RMB8,107 million to secure bank facilities granted to the Group. The total secured loan balance outstanding as at 31 December 2010 amounted to approximately RMB5,252 million.

Financial Guarantees

As at 31 December 2010, the Group provided guarantees to banks for:

	As at 31 December 2010 *RMB'000*	As at 31 December 2009 *RMB'000*
Mortgage facilities granted to purchasers of property units	**819,864**	948,420

Capital Commitment

	2010 *RMB'000*	2009 *RMB'000*
Property development activities:		
– Contracted but not provided for	**3,094,452**	2,607,856
– Authorized but not contracted for	**3,122,908**	2,841,889
	6,217,360	5,449,745

Management of proceeds from the 2007 Convertible Bond issuance

In April 2007 the Group raised net proceeds of approximately RMB1,158 million from a convertible bond issuance. The company had applied the proceeds in the existing as well as new development projects, land acquisitions as well as repayment of borrowings. The issue will mature and due for redemption in 2012.

The Company repurchased Convertible Bonds as follows:

Date	**Nominal value**	**Consideration**
	RMB'000	*RMB'000*
29/12/2008	100,000	40,000
25/02/2009	54,000	27,540
19/05/2009	114,400	96,096
27/04/2010	817,700	874,471
27/10/2010	71,900	77,757
Total	1,158,000	1,115,864

As at 31 December 2010, all of the outstanding Convertible Bonds have been repurchased.

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total 1,290 employees (2009: 913 employees). 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 and share award schemes were adopted to attract and retain talents to contribute to the Group. In relation to staff training, the Group also provide different types of programs for its staff to improve their skills and develop their respective expertise.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2010, except for code provisions A.1.1 and A.4.2 as discussed below.

Code A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

In addition to obtaining Board approval through the circulation of written resolutions of the Directors, two regular Board meetings were held by the Directors during the year ended 31 December 2010. The Directors consider that such arrangements are appropriate and adequate for addressing all the Company's affairs which require the Board's direction and supervision during the past year.

Code A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

Pursuant to the Company's Articles of Association, any person appointed as a Director by the Board shall stand for re-election at the next following annual general meeting of the Company. Such arrangement is considered appropriate in light of the requirement of paragraph 4(2) of Appendix 3 to the Listing Rules which requires that any person appointed by the Directors to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Thursday, 2 June 2011. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

The register of members of the Company will be closed from Tuesday, 31 May 2011 to Thursday, 2 June 2011, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to the proposed final dividend and to attend the annual general meeting of the Company to be held on 2 June 2011, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 30 May 2011. Subject to shareholders' approval of the proposed final dividend at the annual general meeting to be held on Thursday, 2 June 2011, dividend warrants will be dispatched on 10 June 2011 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 2 June 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2010, the Company redeemed its outstanding US dollar settled zero coupon convertible bonds due 2012 in an aggregate principal amount of RMB817,700,000 in April 2010 and of RMB71,900,000 in October 2010 ("Outstanding Bonds") at the early redemption amount of RMB106,942.72 and RMB108,148.82 respectively per Outstanding Bond ("Redemption"). The bonds were issued at the principal amount of RMB100,000 each and were listed on the Singapore Exchange Securities Trading Limited. The aggregate consideration (excluding expenses) for the Redemption amounted to USD$128,103,162.98 and USD$11,647,395.04 respectively. Upon the Redemption, all the Outstanding Bonds were cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2010.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the four independent non-executive Directors of the Company.

The audit committee has reviewed the annual results for the year ended 31 December 2010 with the management of the Company.

DIRECTORS

As at the date of this announcement, the executive Directors of the Company are Mr. Wang Weixian, Mr. Tse Sai Tung, Stones and Ms. Wang Xuling; the non-executive Director is Mr. Lai Kin, Jerome; and the independent non-executive Directors are Mr. Cheong Ying Chew, Henry, Mr. Fong Wo, Felix, JP, Mr. Jiang Simon X. and Mr. Kwan Kai Cheong.

By Order of the Board
SPG Land (Holdings) Limited
WANG WEIXIAN
Chairman

Hong Kong, 7 March 2011