瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 272)

Announcement of 2010 Annual Results

HIGHLIGHTS

- Total properties handed over increased by 64% to 398,000 sq.m.
- Turnover was RMB4,879 million, of which RMB4,133 million was property sales and RMB706 million was rental and other related income.
- The decline in recognised property sales was mainly due to change in sales mix from different cities as well as the postponement of sales for upgrading Casa Lakeville Towers 3 to 8 at Shanghai Taipingqiao ("The Manor") into super luxurious apartments in terms of handover provisions.
- The ASP across all the projects, however, increased by a range of 13% to 52% (13% Wuhan Tiandi, 27% Shanghai KIC, 29% Shanghai Taipingqiao and 52% Chongqing Tiandi).
- Increase in fair value of investment properties was RMB2,711 million.
- Profit attributable to shareholders increased by 5% to RMB2,809 million.
- Basic earnings per share was RMB0.55.
- The Board of Directors recommended a final dividend of HK$0.05 per share.
- Cash and bank balances stood at RMB6,790 million, and net gearing ratio at 44%.

Website: www.shuionland.com

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2010**		Year ended 31 December 2009	
		HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Turnover	*4*	**5,611**	**4,879**	7,670	6,758
Cost of sales		**(3,299)**	**(2,869)**	(3,665)	(3,229)
Gross profit		**2,312**	**2,010**	4,005	3,529
Other income		**260**	**226**	193	170
Selling and marketing expenses		**(164)**	**(142)**	(171)	(151)
General and administrative expenses		**(645)**	**(561)**	(616)	(543)
Operating profit	*5*	**1,763**	**1,533**	3,411	3,005
Increase in fair value of investment properties		**3,118**	**2,711**	608	536
Gain on disposals of investment properties		**26**	**23**	-	-
Gain on acquisition of additional equity interests in subsidiaries		**-**	**-**	7	6
Share of results of associates		**67**	**58**	495	436
Finance costs, net of exchange gain	*6*	**48**	**42**	(101)	(89)
Profit before taxation		**5,022**	**4,367**	4,420	3,894
Taxation	*7*	**(1,561)**	**(1,357)**	(1,477)	(1,301)
Profit for the year		**3,461**	**3,010**	2,943	2,593
Attributable to:					
Shareholders of the Company		**3,230**	**2,809**	3,034	2,673
Non-controlling interests		**231**	**201**	(91)	(80)
		3,461	**3,010**	2,943	2,593
Earnings per share	*9*				
Basic		**HK$0.63**	**RMB0.55**	HK$0.63	RMB0.55
Diluted		**HK$0.61**	**RMB0.53**	HK$0.63	RMB0.55

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2010		Year ended 31 December 2009	
	HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Profit for the year	**3,461**	**3,010**	2,943	2,593
Other comprehensive (expense) income				
Exchange difference arising on translation of foreign operations	**(5)**	**(4)**	(21)	(19)
Fair value adjustments on interest rate swaps designated in cash flow hedges	**(8)**	**(7)**	51	45
Other comprehensive (expense) income for the year	**(13)**	**(11)**	30	26
Total comprehensive income for the year	**3,448**	**2,999**	2,973	2,619
Total comprehensive income attributable to:				
Shareholders of the Company	**3,217**	**2,798**	3,064	2,699
Non-controlling interests	**231**	**201**	(91)	(80)
	3,448	**2,999**	2,973	2,619

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2010 RMB'million**	31 December 2009 RMB'million
Non-current assets			
Investment properties		**26,893**	21,206
Property, plant and equipment		**540**	356
Prepaid lease payments		**73**	43
Interests in associates		**920**	862
Loans to associates		**1,270**	1,273
Accounts receivable	*10*	**64**	59
Pledged bank deposits		**1,569**	1,222
Deferred tax assets		**162**	139
		31,491	25,160
Current assets			
Properties under development for sale		**14,308**	11,532
Properties held for sale		**627**	627
Accounts receivable, deposits and prepayments	*10*	**3,604**	933
Loans receivable		**597**	378
Amounts due from associates		**318**	147
Amounts due from related companies		**49**	73
Amounts due from non-controlling shareholders of subsidiaries		**38**	17
Pledged bank deposits		**316**	797
Bank balances and cash		**4,905**	2,928
		24,762	17,432
Current liabilities			
Accounts payable, deposits received and accrued charges	*11*	**4,987**	4,305
Amounts due to related companies		**95**	69
Amounts due to associates		**29**	45
Amounts due to non-controlling shareholders of subsidiaries		**462**	475
Loan from a non-controlling shareholder of a subsidiary		**300**	442
Tax liabilities		**1,230**	1,404
Bank borrowings – due within one year		**1,644**	2,098
		8,747	8,838
Net current assets		**16,015**	8,594
Total assets less current liabilities		**47,506**	33,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**31 December 2010 RMB'million**	31 December 2009 RMB'million
Capital and reserves			
Share capital	*12*	**102**	99
Reserves		**24,718**	21,480
Equity attributable to shareholders of the Company		**24,820**	21,579
Non-controlling interests		**1,208**	995
Total equity		**26,028**	22,574
Non-current liabilities			
Bank and other borrowings – due after one year		**11,539**	8,105
Convertible bonds		**2,117**	-
Notes		**2,945**	-
Derivative financial instruments designated as hedging instruments		**218**	211
Loans from non-controlling shareholders of subsidiaries		**1,653**	670
Deferred tax liabilities		**3,001**	2,192
Defined benefit liabilities		**5**	2
		21,478	11,180
Total equity and non-current liabilities		**47,506**	33,754

Notes to the consolidated financial statements:

1. General

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

2. Presentation

The Hong Kong dollar figures presented in the consolidated income statement and consolidated statement of comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.150 for 2010 and RMB1.000 to HK$1.135 for 2009, being the average exchange rates that prevailed during the respective years.

3. Application of new and revised International Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referred to as "new and revised IFRSs"), which are effective for the Group's financial year beginning on 1 January 2010.

IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

In line with the amendments to IAS 1, the Group has classified the liability component of convertible bonds issued in the current year as non-current based on when cash settlement may be required to be made. This amendment has had no effect on the amounts reported in prior years because the Group has not previously issued instruments of this nature.

IFRS 3 (as revised in 2008) Business Combinations

The Group applies IFRS 3 (as revised in 2008) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

As there was no transaction during the current year to which IFRS 3 (as revised in 2008) was applicable, the application of IFRS 3 (as revised in 2008) has had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (as revised in 2008) and the consequential amendments to the other IFRSs are applicable.

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

IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of IAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group’s accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions set out in IAS 27 (as revised in 2008). The application of the revised standard has affected the accounting for the Group's acquisition of additional equity interest in Shanghai Yang Pu Centre Development Co., Ltd. ("KIC"), a subsidiary of the Group, in the current year. The change in policy has resulted in the difference of RMB34 million between the excess of the Group's share of additional interest in the carrying amount of the net assets of KIC attributable to the acquisition over the cost of the acquisition, being recognised directly in equity, instead of in the consolidated income statement. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of RMB34 million.

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

	Basic earnings per share RMB	Diluted earnings per share RMB
Impact on basic and diluted earnings per share		
Reported figure before adjustments	0.56	0.54
Adjustments arising from change in accounting policy	(0.01)	(0.01)
Reported figure after adjustments	0.55	0.53

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 February 2010

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

New and revised Standards and Interpretations issued but not yet effective (Continued)

IFRS 9 Financial Instruments was issued in November 2009 and revised in October 2010. It introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors of the Company anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

The amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. All of the Group's investment properties are located in the People's Republic of China ("PRC"). The Directors of the Company are in the process of assessing the financial impact.

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

4. Turnover and segmental information

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

	Year ended 31 December	
	2010	2009
	RMB'million	RMB'million
Property development:		
Property sales	**4,133**	6,078
Property investment:		
Rental income from investment properties	**597**	542
Income from serviced apartments	**22**	18
Property management fees	**34**	28
Rental related income	**53**	55
	706	643
Others	**40**	37
	4,879	6,758

4. Turnover and segmental information (Continued)

For management purposes, the Group is organised based on the business activities of the Group, which are broadly categorised into property development and property investment.

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

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

	Year ended 31 December 2010			
	Property development RMB'million	**Property investment RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
TURNOVER				
Segment revenue	**4,133**	**706**	**40**	**4,879**
RESULTS				
Segment results	**1,323**	**3,120**	**26**	**4,469**
Interest income				**150**
Share of results of associates				**58**
Finance costs, net of exchange gain				**42**
Net unallocated expenses				**(352)**
Profit before taxation				**4,367**
Taxation				**(1,357)**
Profit for the year				**3,010**

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

5. Operating profit

	Year ended 31 December 2010 RMB'million	2009 RMB'million
Operating profit has been arrived at after charging (crediting):		
Auditor's remuneration	**5**	5
Depreciation of property, plant and equipment	**67**	54
Less: Amount capitalised to properties under development for sale	**(1)**	(1)
	66	53
Release of prepaid lease payments	**1**	1
Loss on disposal of property, plant and equipment	**1**	-
Allowance for bad and doubtful debts	**4**	-
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and allowances	**25**	14
Retirement benefits costs	**2**	1
Share-based payment expenses	**2**	(2)
	31	15
Other staff costs		
Salaries, bonuses and allowances	**309**	261
Retirement benefits costs	**23**	34
Share-based payment expenses	**17**	49
	349	344
Total employee benefits expenses	**380**	359
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(91)**	(78)
	289	281
Cost of properties sold recognised as an expense	**2,619**	3,080
Rental charges under operating leases	**54**	45

6. Finance costs, net of exchange gain

	Year ended 31 December	
	2010	2009
	RMB'million	RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**573**	507
Interest on amounts due to non-controlling shareholders of subsidiaries wholly repayable within five years	**-**	46
Interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years	**125**	56
Interest on loan from a director wholly repayable within five years	**-**	35
Imputed interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years	**-**	1
Interest on convertible bonds	**56**	-
Interest on notes	**5**	-
Add: Net interest expense from interest rate swaps designated as cash flow hedge	**129**	116
Total interest costs	**888**	761
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(796)**	(634)
Interest expense charged to consolidated income statement	**92**	127
Net exchange gain on bank borrowings and other financing activities	**(200)**	(44)
Others	**66**	6
	(42)	89

Borrowing costs capitalised during the year ended 31 December 2010 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 6.6% (2009: 8.4%) per annum to expenditure on the qualifying assets.

7. Taxation

	Year ended 31 December	
	2010	2009
	RMB'million	RMB'million
PRC Enterprise Income Tax		
- Current provision	**335**	537
Deferred taxation		
- Provision for the year	**807**	297
PRC Land Appreciation Tax		
- Provision for the year	**215**	467
	1,357	1,301

7. Taxation (Continued)

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (2009: 25%) on the assessable profits of the companies in the Group during the year.

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

8. Dividends

	Year ended 31 December	
	2010	2009
	RMB'million	RMB'million
Interim dividend paid in respect of 2010 of HK$0.06 per share (2009: HK$0.01 per share)	**270**	44
Final dividend proposed in respect of 2010 of HK$0.05 per share (2009: HK$0.12 per share)	**220**	530
	490	574

A final dividend for the year ended 31 December 2010 of HK$0.05 (equivalent to RMB0.042) per share, amounting to HK$261 million (equivalent to RMB220 million) in aggregate, was proposed by the Directors on 16 March 2011 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

In November 2010, an interim dividend in respect of 2010 of HK$0.06 (equivalent to RMB0.053) per share was paid to the shareholders. The 2010 interim dividend was paid in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their interim dividend in new, fully paid shares in lieu of all or part of cash. 71.7% of the shareholdings elected to receive shares in lieu of cash dividends at HK$3.84 per share and accordingly, 57,753,920 new and fully paid shares were issued. These new shares rank pari passu to the existing shares of the Company.

In May 2010, a final dividend in respect of 2009 of HK$0.12 (equivalent to RMB0.11) per share was approved by the shareholders of the Company at the annual general meeting held on 27 May 2010. The 2009 final dividend was paid in July 2010 in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash. 69.0% of the shareholdings elected to receive shares in lieu of cash dividends at HK$3.168 per share and accordingly, 131,177,173 new and fully paid shares were issued. These new shares rank pari passu to the existing shares of the Company.

188,931,093 shares in aggregate issued during the year on the shareholders' election to receive shares. Details of these shares issuances are set out in note 12.

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

9. Earnings per share

The calculation of the basic and diluted earnings per share attributable to shareholders of the Company is based on the following data:

	Year ended 31 December	
	2010	2009
	RMB'million	RMB'million
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**2,809**	2,673

	Year ended 31 December	
	2010	2009
	'million	'million
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,091**	4,823
Effect of dilutive potential shares: Convertible bonds	**168**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,259**	4,823

	Year ended 31 December	
	2010	2009
Basic earnings per share *(note (b))*	**RMB0.55** **HK$0.63**	RMB0.55 HK$0.63
Diluted earnings per share *(note (b))*	**RMB0.53** **HK$0.61**	RMB0.55 HK$0.63

Notes:

(a) There are no dilution effects for share options granted as the exercise price of these share options granted were higher than the average market price for 2010 and 2009.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.150 for 2010 and RMB1.000 to HK$1.135 for 2009, being the average exchange rates that prevailed during the respective years.

10. Accounts receivable, deposits and prepayments

	31 December 2010 RMB'million	31 December 2009 RMB'million
Non-current accounts receivable comprise:		
Deferred rental receivables	**64**	59

Current accounts receivable comprise:

	31 December 2010 RMB'million	31 December 2009 RMB'million
Not yet due	**122**	172
Within 30 days	**20**	5
31 - 60 days	**1**	3
61 - 90 days	**-**	2
Over 90 days	**3**	4
Trade receivables	**146**	186
Prepayments of relocation costs	**1,304**	483
Deposit for land acquisition for properties under development for sale	**1,838**	-
Other deposits, prepayments and receivables	**316**	264
	3,604	933

Trade receivables comprise:

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

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

11. Accounts payable, deposits received and accrued charges

	31 December 2010 RMB'million	31 December 2009 RMB'million
Trade payables aged analysis:		
Not yet due	**1,683**	1,138
Within 30 days	**68**	5
31 - 60 days	**1**	6
61 - 90 days	**1**	2
Over 90 days	**12**	-
	1,765	1,151
Retention payables (note)	**169**	128
Deed tax, business tax and other tax payables	**481**	442
Deposits received and receipt in advance from property sales	**2,074**	2,235
Deposits received and receipt in advance in respect of rental of investment properties	**242**	174
Accrued charges	**256**	175
	4,987	4,305

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

12. Share capital

	Authorised		Issued and fully paid	
Ordinary shares of US$0.0025 each	Number of shares	US$'000	Number of shares	US$'000
At 1 January 2009	12,000,000,000	30,000	4,185,597,171	10,464
Issue of bonus shares (note 8)	-	-	418,559,717	1,046
Issue of new shares	-	-	418,500,000	1,046
At 31 December 2009	12,000,000,000	30,000	5,022,656,888	12,556
Issue of shares in lieu of cash dividends (note 8)	-	-	188,931,093	473
At 31 December 2010	**12,000,000,000**	**30,000**	**5,211,587,981**	**13,029**

	31 December 2010 RMB'million	31 December 2009 RMB'million
Shown in the consolidated statement of financial position as	**102**	99

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year 2010, the Group's turnover was RMB4,879 million, a decline of 28% compared with RMB6,758 million in 2009. Property sales in 2010 accounted for 85% of the turnover, and decreased by 32% to RMB4,133 million from RMB6,078 million in 2009. Rental and other related income from investment properties was RMB706 million in 2010 compared to RMB643 million in 2009, an increase of 10%.

Total properties handed over in 2010 increased by 64% to 398,000 sq.m. of gross floor area ("GFA"), comprising of 220,000 sq.m. property sales and 178,000 sq.m. investment properties versus a GFA of 242,300 sq.m. (composed of 194,300 sq.m. of property sales and 48,000 sq.m. of investment properties) in the previous year.

A total GFA of 220,000 sq.m. were handed over for property sales, representing an increase of 13% in 2010 compared to 194,300 sq.m. in 2009. The revenue from property sales, however, declined by 32% to RMB4,133 million in 2010 from RMB6,078 million in 2009 due to the change in sales mix from different cities as well as the postponement of sales for upgrading Casa Lakeville Towers 3 to 8 at Shanghai Taipingqiao ("The Manor") into super luxurious apartments in terms of handover provisions. Property sales from Chongqing and Wuhan accounted for 41% in 2010 (2009: 14%), while Shanghai projects property sales dropped to 54% (2009: 85%). Since the overall price level in Chongqing and Wuhan is lower than Shanghai, the total recognised average selling price ("ASP") in 2010 dropped to RMB19,700 per sq.m. from RMB32,600 per sq.m. in the previous year.

The ASP of recognised sales across all the projects, however, increased by a range of 13% to 52% (13% in Wuhan Tiandi, 27% in Shanghai KIC, 29% in Shanghai Taipingqiao and 52% in Chongqing Taindi).

A total GFA of 178,000 sq.m. of investment properties was completed in 2010. This included Shanghai Xintiandi Style shopping centre, Shanghai KIC Plaza Phase 2 office space, Chongqing Tiandi food & beverage, entertainment retail area and Dalian software office buildings.

Rental and other related income from the completed investment property portfolio increased by 10% to RMB706 million in 2010 compared to RMB643 million in 2009. The Group's investment property portfolio grew to a total GFA of 438,000 sq.m. in 2010, rising from 310,000 sq.m. in 2009. Since the majority of the investment properties were newly completed in the late second half of 2010, it is anticipated that the rental income will further increase when these properties are gradually run in.

Due to change of sales mix from different cities with different gross profit margin levels, the Group's gross profit margin declined to 41% in 2010 from 52% in 2009. However, the gross profit margin of all the projects improved year on year. With the generally positive outlook on China's economy and the fact that the ASP across all projects were on rising trend and the land costs were substantially fixed (Chongqing, Wuhan and Foshan were acquired at fixed prices in 2004, 2005 and 2007 respectively), it is expected that the gross margin of all these projects will further improve going forward.

The Group had a fair value gain of RMB2,711 million in its investment property portfolio due to the increase of market values of the existing portfolio, the newly completed investment properties, and the accelerated construction program for the development of investment properties.

Profit attributable to shareholders increased by 5% to RMB2,809 million in 2010.

Property Sales

Recognised property sales

The table below summarises the recognised sales by project for the years 2010 and 2009:

	2010			2009			ASP
Project	**Sales revenue**	**GFA sold**	**ASP**	**Sales revenue**	**GFA sold**	**ASP**	**Growth Rate**
	RMB million	sq.m.	RMB per sq.m.	RMB million	sq.m.	RMB per sq.m.	%
Shanghai Taipingqiao	604	6,500	97,800	4,706	65,600	75,600	29%
Shanghai Rui Hong Xin Cheng	824	31,300	27,700	-	-	-	-
Shanghai Knowledge and Innovation Community ("KIC")	918	39,200	24,700	450	24,300	19,500	27%
Wuhan Tiandi	1,324	85,300	16,300	514	37,500	14,400	13%
Chongqing Tiandi[1]	449	57,700	10,200	345	66,900	6,700	52%
Subtotal	4,119	220,000	19,700	6,015	194,300	32,600	
Carparks and others	199	-		63	-		
Total	**4,318**	**220,000**		**6,078**	**194,300**		
Recognised as:							
- property sales in turnover	4,133	212,300		6,078	194,300		
- disposals of investment properties	185	7,700		-	-		
Total	**4,318**	**220,000**		**6,078**	**194,300**		

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

Contracted Sales

A total GFA of 347,400 sq.m. of properties were sold and pre-sold in 2010 for a total sum of RMB6,498 million, with RMB4,976 million being contracted and RMB1,522 million being subscribed mostly during the last two weeks in December 2010. RMB1,218 million of those subscribed sales has been contracted in January and February 2011.

The table below summarises the contracted sales by project for 2010 and 2009:

Project	2010 Contracted amount	2010 GFA sold	2010 ASP	2009 Contracted amount	2009 GFA sold	2009 ASP	ASP Growth Rate
	RMB million	sq.m.	RMB per sq.m.	RMB million	sq.m.	RMB per sq.m.	%
Shanghai Taipingqiao	407	3,600	113,100	3,123	44,300	70,500	60%
Shanghai Rui Hong Xin Cheng	1,035	26,800	38,600	857	30,900	27,700	39%
Shanghai KIC	203	8,100	25,100	1,068	46,700	22,900	10%
Wuhan Tiandi	612	30,300	20,200	902	63,300	14,300	41%
Chongqing Tiandi[1]	1,426	143,600	12,400	467	81,700	7,100	75%
Foshan Lingnan Tiandi	701	38,900	18,000	-	-	-	-
Subtotal	4,384	251,300	17,400	6,417	266,900	24,000	
Dalian Tiandi[2]	370	21,000	17,600	-	-	-	
Carparks and others	222	-		69	-		
Contracted Sales - Total	**4,976**	**272,300**		**6,486**	**266,900**		
Subscribed Sales	1,522	75,100		415	45,900		
Total	**6,498**	**347,400**		**6,901**	**312,800**		
Property sales	6,303	339,600		6,901	312,800		
Disposals of investment properties	195	7,800		-	-		
Total	**6,498**	**347,400**		**6,901**	**312,800**		

1 *ASP of Chongqing is based on net floor area, a common market practice in the region.*
2 *Dalian Tiandi is a project developed by associates of the Group. Sales of Dalian Tiandi will not be consolidated as revenue of the Group. Instead, the share of results of Dalian Tiandi are incorporated in the Group's consolidated income statement as "share of results of associates" using the equity method of accounting.*

The Company's strategy to expand business out of Shanghai enables us to benefit from the stronger economic growth in the second tier cities while diversifying risks. We entered Chongqing in 2004, Wuhan in 2005, Foshan and Dalian in 2007. These projects have been making further contributions.

Project	Shui On Land			City Average[2]				
	2010 Contracted ASP	2009 Contracted ASP	ASP Growth Rate	2010 City Centre ASP	2009 City Centre ASP	ASP Growth Rate	10-year GDP Growth Rate	2009 GDP per Capita
	RMB per sq.m.	RMB per sq.m.	%	RMB per sq.m.	RMB per sq.m.	%	%	RMB per capita
Shanghai				46,000	35,000	31%	11.5%	79,000
- Taipingqiao	113,100	70,500	60%					
- Rui Hong Xin Cheng	38,600	27,700	39%					
- KIC	25,100	22,900	10%					
Wuhan	20,200	14,300	41%	6,600	5,700	16%	12.0%	51,000
Chongqing[1]	12,400	7,100	75%	5,900	4,300	37%	13.6%	23,000
Foshan	18,000	N/A	N/A	9,900	7,800	27%	15.8%	81,000
Dalian	17,600	N/A	N/A	12,000	8,900	35%	14.9%	72,000

1 *ASP of Chongqing is based on net floor area, a common market practice in the region.*
2 *Source: City Statistics Bureau*

In 2010, ASP growth from Shanghai property sales remained strong, with price increased ranging from 10% to 60% for the three projects in Shanghai, while Wuhan Tiandi and Chongqing Tiandi were entering their harvest time with even faster ASP growth from 41% to 75%. Foshan Lingnan Tiandi and Dalian Tiandi held their first respective market launch of residential Phase 1 and were well received. Although ASP level of projects in Chongqing, Wuhan, Foshan and Dalian were lower than those of Shanghai projects, their ASP growth rates were spectacular. Both the ASP and ASP growth rate of our projects in Shanghai, Chongqing and Wuhan outperformed the respective city average, demonstrating the pricing power of the Group and the recognition of the established "Tiandi" model.

The following sections provide detailed sales performance and price analysis by projects.

Shanghai Taipingqiao
The contracted sales of Casa Lakeville were RMB407 million for a GFA of 3,600 sq.m. in 2010 as most of the residential units in Towers 1, 2, 9, 10, 11 and 12 had previously been sold. The latest three transacted units in the Manor were sold at ASP of approximately RMB130,000 per sq.m. in late 2010. The remaining inventories in the Manor were 15 units or 5,900 sq.m. as of 31 December 2010. Due to the scare supply of super luxurious units in the downtown area in Shanghai, we plan to sell the remainder at a measured pace to maximize profit.

Shanghai Rui Hong Xin Cheng (also referred to as "Rainbow City")
Towers 5 and 6 of Phase 4 (Lot 4) were launched in December 2010 for pre-sale and received a robust market response. 26,800 sq.m. were pre-sold with an ASP reached RMB38,600 per sq.m., which was 39% higher than the previous launch of Phase 3 in mid-2009. RMB1 billion of contracted sales were contributed by sales of Towers 5 and 6. The remaining two towers (Towers 1 and 2) are planned to be launched for pre-sale in the second quarter of 2011. Next phase available for sale will be Phase 5 (Lot 6) for a total residential GFA of 116,000 sq.m. in 2012.

Shanghai KIC
KIC disposed of some commercial spaces at Village R2 and Plaza Phase 1. Total proceeds from the disposal were RMB195 million for a total GFA of 7,800 sq.m. This reflects the Group's strategy of expediting asset churn.

Wuhan Tiandi
The Riverview continued to be well received by the market. RMB612 million of contracted sales were recorded in 2010, with an ASP increase of 41% to RMB20,200 per sq.m. Phase 2 (Lot A6) was launched for sale in early 2010, most of which was sold and recognised. A portion of Phase 3 (Lots A11 and A12) was launched for pre-sale on 29 December 2010. A total of RMB813 million was subscribed for sale by the end of 2010 at an ASP of RMB34,300 per sq.m. The remaining portion of Phase 3 is expected to be launched for pre-sale in mid 2011. The selling prices of the residential units at Wuhan Tiandi continue to be among one of the highest in the city.

*Chongqing Tiandi******
In 2010, 9,900 sq.m. of waterfront apartments at the Riviera Phase 1 (Lot B1-1/01) were contracted at the ASP of RMB15,800 per sq.m. In the Riviera Phase 2 (Lot B2-1/01), a total GFA of 133,700 sq.m. of city and garden view apartments were sold at ASP of RMB12,100 per sq.m. The ASP of Phases 1 and 2 sold in 2010 was RMB12,400 per sq.m., up 75% year on year. ASP of Tower 9 of Phase 2 shot up to RMB15,400 per sq.m. in December 2010. In 2011, waterfront apartments at Phase 2 and garden view apartments at Phases 3 and 4 are expected to be launched for pre-sale.

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

Foshan Lingnan Tiandi
The first launch of low-rise apartments of the Regency Phase 1 (Lot 4) was held in August 2010. Total contracted sales of RMB701 million were achieved at an ASP of RMB18,000 per sq.m. for delivery in 2011. Townhouses of the Legendary Phase 1 (Lot 14) were launched for pre-sale in mid-February 2011. 23 out of 38 units have been subscribed for sale with an ASP of RMB39,900 per sq.m. up to 28 February 2011.

Going forward, the apartments of the Regency Phase 2 (Lot 5) and townhouses of the Legendary Phase 2 (Lot 15) are expected to be launched for pre-sale in 2011.

Dalian Tiandi
The Greenville Phase 1 held its first pre-sale in October 2010. A total contracted amount of RMB370 million was achieved from the townhouses and high-rise apartments in Phase 1 at an ASP of 17,600 per sq.m. More townhouses and high-rise apartments are expected to be launched for pre-sale in 2011.

Diversifying Properties Sales Streams from 7 Projects across 5 Cities
Chongqing Tiandi and Wuhan Tiandi have been contributing contracted sales to the Group since 2007, while Foshan Lingnan Tiandi and Dalian Tiandi also began making contributions in the second half of 2010. Contracted sales of these projects increased by 127% to RMB3,109 million in 2010. GFA and ASP rose 61% and 41% respectively in 2010. Going forward, these projects are expected to play a more important role in the Group's operations. The contracted sales become more diversified and have been expanding from Shanghai into four other cities, namely Wuhan, Chongqing, Foshan and Dalian.

Lock-in Sales Carried Forward to 2011 and beyond

As of 31 December 2010, the contracted sales yet to be delivered amounted to RMB2,852 million (representing 176,000 sq.m. of GFA). Together with the contracted sales in January and February 2011 of RMB1,674 million (representing 73,000 sq.m.), the total lock-in sales to be delivered in 2011 and beyond amounted to RMB4,526 million.

Residential properties available for sale and pre-sale in 2011

The Group plans to launch residential properties with a total GFA of 506,000 sq.m. in six projects in 2011, of which 91% will be from Wuhan, Chongqing, Foshan and Dalian.

The table below summaries residential properties available for sale in 2011:

Project	Available for sale and pre-sale in 2011	**Group's interest**
	GFA in sq.m.	
Shanghai Taipingqiao	6,900	99.0%
Shanghai Rui Hong Xin Cheng	36,600	74.3%
Wuhan Tiandi	53,500	75.0%
Chongqing Tiandi	199,500	79.4%
Foshan Lingnan Tiandi	73,500	100.0%
Subtotal	370,000	
Dalian Tiandi[1]	136,000	48.0%
Total	506,000	

[1] *Dalian Tiandi is a project developed by associates of the Group. Sales of Dalian Tiandi will not be consolidated as revenue of the Group. Instead, the share of results of Dalian Tiandi are incorporated in the Group's consolidated income statement as "share of results of associates" using the equity method of accounting.*

As a note of caution, actual market launching date depends on and will be affected by factors such as construction progress, changes in market environments, changes in government regulations and the like.

Investment Properties

Completed Investment Properties

Rental and other affiliated income from investment properties increased by 10% to RMB706 million in 2010. A total GFA of 178,000 sq.m. of commercial properties were completed in 2010, out of which, 136,000 sq.m. are held by subsidiaries of the Group and 42,000 sq.m. at Dalian Tiandi are held by associates. Since most of new investment properties were completed and opened for business in late 2010, further increase in rental income is anticipated in the years to come. As of 31 December 2010, our portfolio of investment properties was 438,000 sq.m., of which approximately 39% was office and 60% was retail. 335,000 sq.m. or geographically 76% of the completed investment properties is located in Shanghai.

Shanghai Xintiandi and Shanghai Corporate Avenue continued to be the main rental income contributors in 2010, accounting for 74% of the total rental income. These two developments are virtually fully occupied. Shanghai Xintiandi Style, the newly opened shopping mall at Taipingqiao project, achieved an occupancy rate of 89% two months after opening. The occupancy rate of Xintiandi fell from 100% to 93%, mainly due to repositioning and renovation of shops in the vicinity of the Langham Xintiandi Hotel and the Xintiandi south lane connecting to Xintiandi Style.

The commercial complex of the Shanghai Rui Hong Xin Cheng Phase 1 and Phase 2 continued to be fully leased. 2,000 sq.m. retail space in Phase 3 was newly completed in 2010. Leasing of the 2,000 sq.m. is to be started in 2011.

The occupancy rate of Shanghai KIC Plaza Phase 1 and Village R1/R2 stayed at 81% and 39% respectively. KIC Plaza Phase 2 was completed in December 2010. The occupancy rate was at 17%.

Hangzhou Xihu Tiandi Phase 1 continued to enjoy full occupancy with a slight increase in rental income.

Wuhan Tiandi Phase 1 (Lot A4-1) reached a 94% occupancy rate, while Phases 2 and 3 (Lots A4-2 and A4-3) with a total leasable area of 30,000 sq.m. had an occupancy of 70% as of 31 December 2010.

The commercial portion of Chongqing Tiandi (Lot B3-01) opened in 2010. A total of 49,000 sq.m. of new retail space was delivered in 2010. The occupancy rates of Upper and Low Village and Main Buildings were 98% and 45%, respectively.

The table below summarises the portfolio of completed investment properties together with their respective occupancy rates:

	Leasable GFA (sq.m.)				Occupancy rate			
Project	**Office**	**Retail**	**Serviced apartments**	**Total**	**31 December 2010**	**31 December 2009**	**31 December 2008**	**Group's interest**
Shanghai Taipingqiao								
Shanghai Xintiandi	5,000	47,000	5,000	57,000	93%	100%	99%	97.0%
Shanghai Xintiandi Style	-	27,000	-	27,000	89%	N/A	N/A	99.0%
Shanghai Corporate Avenue	76,000	7,000	-	83,000	99%	96%	99%	99.0%
Sub-total	81,000	81,000	5,000	167,000				
Shanghai Rui Hong Xin Cheng								
Phase 1	-	5,000	-	5,000	100%	100%	55%	75.0%
Phase 2 Commercial Complex	-	28,000	-	28,000	100%	100%	99%	74.3%
Phase 3	-	2,000	-	2,000	-	N/A	N/A	74.3%
Sub-total	-	35,000	-	35,000				
Shanghai KIC								
KIC Village R1 and R2	23,000	11,000	-	34,000	39%	37%	59%	86.8%
KIC Plaza Phase 1	29,000	21,000	-	50,000	81%	83%	82%	86.8%
KIC Plaza Phase 2	39,000	10,000	-	49,000	17%	N/A	N/A	86.8%
Sub-total	91,000	42,000	-	133,000				
Hangzhou Xihu Tiandi								
Phase 1	-	6,000	-	6,000	100%	100%	100%	100.0%
Sub-total	-	6,000	-	6,000				
Wuhan Tiandi								
Wuhan Tiandi (Lot A4-1)	-	16,000	-	16,000	94%	92%	89%	75.0%
Wuhan Tiandi (Lots A4-2 and 3)	-	30,000	-	30,000	70%	60%	N/A	75.0%
Sub-total	-	46,000	-	46,000				
Chongqing Tiandi								
The Riviera Phase 1	-	2,000	-	2,000	100%	16%	N/A	79.4%
Chongqing Tiandi (Lot B3/01)								
- Phase 1 - Upper and Low Village	-	10,000	-	10,000	98%	N/A	N/A	79.4%
- Phase 2 - Main buildings	-	39,000	-	39,000	45%	N/A	N/A	79.4%
Sub-total	-	51,000	-	51,000				
Dalian Tiandi[1]								
Software office buildings	42,000	-	-	42,000	65%	N/A	N/A	48.0%
Sub-total	42,000	-	-	42,000				
Total leasable GFA	**214,000**	**261,000**	**5,000**	**480,000**				
Investment properties held by:								
- Subsidiaries of the Group	172,000	261,000	5,000	438,000				
- Associated companies	42,000	-	-	42,000				
As of 31 December 2010	**214,000**	**261,000**	**5,000**	**480,000**				
As of 31 December 2009	131,000	174,000	5,000	310,000				

[1] *Dalian Tiandi is a project developed by associates of the Group. Rental income of Dalian Tiandi is not be consolidated as revenue of the Group. Instead, the share of results of Dalian Tiandi are incorporated in the Group's consolidated income statement as "share of results of associates" using the equity method of accounting.*

<u>Valuable investment property portfolio provides alternative funding resource</u>

As of 31 December 2010, the carrying value of the completed investment property portfolio was RMB14,119 million. The Shanghai portfolio accounted for 92%, while the newly completed leasable areas in Wuhan and Chongqing account for 8%. Approximately RMB7 billion mortgage loans were obtained by pledging the completed investment properties, of which approixmately 70% was denominated in Hong Kong dollars.

As of 31 December 2010, the carrying value of investment properties under development and as landbank was RMB12,774 million, of which RMB6,815 million are stated at valuation and the remaining RMB5,959 million at cost.

The fair value of the Group's investment properties has been arrived based on valuation carried out by an independent qualified professional valuer.

The table below summarises the carrying value of the investment properties together with the change in fair value during the year:

Project	Increase (decrease) in fair value for the year ended 31 December 2010	Carrying value as of 31 December 2010	Carrying value per GFA	Group's interest
	RMB million	RMB million	RMB per sq.m.	%
Completed investment properties at valuation				
Shanghai Taipingqiao	946	9,635	59,500	99.0%[1]
Shanghai Rui Hong Xin Cheng	47	637	18,200	74.3%
Shanghai KIC	69	2,745	20,600	86.8%
Wuhan Tiandi	78	649	14,100	75.0%
Chongqing Tiandi	-	453	13,300	79.4%
Sub-total	**1,140**	**14,119**	**34,400**	
Investment properties under development at valuation				
Shanghai Taipingqiao	912	3,926	25,000	99.0%
Shanghai Rui Hong Xin Cheng	24	208	17,300	74.3%
Shanghai KIC	438	751	14,200	86.8%
Chongqing Tiandi	(56)	1,046	2,100	79.4%[2]
Foshan Lingnan Tiandi	253	884	13,200	100.0%
Sub-total	**1,571**	**6,815**	**8,700**	
Investment properties under development at cost				
Various projects	-	5,959		
Total	**2,711**	**26,893**		

[1] *The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, in which the Group has a 97.0% interest.*

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

Strategy to expedite asset churn

According to the Three-Year Plan, the completion of commercial property is around 392,000 sq.m. in 2011 and 498,000 sq.m. in 2012. Therefore, our completed commercial properties are expected to stand at 1,370,000 sq.m. in 2012 from current 480,000 sq.m. The table below summarises the delivery plan of commercial properties for the years 2011 and 2012:

Project	Commercial GFA to be delivered 2011	2012	Total	Group's interest
	sq.m.	sq.m	sq.m.	%
Shanghai Rui Hong Xin Cheng	-	12,000	12,000	74.3%
Shanghai KIC	53,000	-	53,000	86.8%
Wuhan Tiandi	59,000	-	59,000	75.0%
Chongqing Tiandi	2,000	263,000	265,000	79.4%
Foshan Lingnan Tiandi	78,000	38,000	116,000	100.0%
Dalian Tiandi[1]	200,000	185,000	385,000	48.0%
Total	392,000	498,000	890,000	

[1] *Dalian Tiandi is a project developed by associates of the Group.*

Sale of commercial properties

Approximately 250,000 sq.m. of the commercial properties located in Shanghai KIC, Wuhan Tiandi, Chongqing Tiandi and Foshan Lingnan Tiandi have been earmarked for sale in order to expedite asset turnover and shorten the payback period.

Strategic Partnership

Strategic partnership continues to be one of pillars of the Group's long-term business strategies, providing synergies to project developments. The Group will continue to look for appropriate strategic partners to co-develop projects, either at a project level and/or for a particular parcel of land. This strategy allows the Group to tap the expertise of our strategic partners, accelerate returns from its projects, diversify risks and enhance cash flow.

Property Development - Accelerating Development

To accomplish the "Three-Year Plan" initiatives set out in 2009, the Group has expedited the development schedule of various projects. The table below summarises projects that have been delivered in 2010 and are planned for completion and delivery in 2011 and 2012:

Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	%
Property delivered in 2010								
Shanghai Taipingqiao	7,000	-	27,000	-	34,000	40,000	74,000	99.0%
Shanghai Rui Hong Xin Cheng	32,000	-	2,000	-	34,000	11,000	45,000	74.3%
Shanghai KIC	22,000	47,000	11,000	-	80,000	52,000	132,000	86.8%
Wuhan Tiandi	85,000	-	2,000	-	87,000	47,000	134,000	75.0%
Chongqing Tiandi	47,000	-	49,000	-	96,000	25,000	121,000	79.4%
Dalian Tiandi[1]	-	42,000	-	-	42,000	14,000	56,000	48.0%
Total	193,000	89,000	91,000	-	373,000	189,000	562,000	
Plan for delivery in 2011								
Shanghai Rui Hong Xin Cheng	31,000	-	-	-	31,000	-	31,000	74.3%
Shanghai KIC	-	42,000	11,000	-	53,000	28,000	81,000	86.8%
Wuhan Tiandi	51,000	57,000	2,000	-	110,000	46,000	156,000	75.0%
Chongqing Tiandi	121,000	-	2,000	-	123,000	14,000	137,000	79.4%
Foshan Lingnan Tiandi	73,000	-	41,000	37,000	151,000	71,000	222,000	100.0%
Dalian Tiandi[1]	144,000	163,000	37,000	-	344,000	104,000	448,000	48.0%
Total	420,000	262,000	93,000	37,000	812,000	263,000	1,075,000	
Plan for delivery in 2012								
Shanghai Rui Hong Xin Cheng	32,000	-	12,000	-	44,000	31,000	75,000	74.3%
Wuhan Tiandi	72,000	-	-	-	72,000	-	72,000	75.0%
Chongqing Tiandi	171,000	251,000	12,000	-	434,000	113,000	547,000	79.4%
Foshan Lingnan Tiandi	49,000	-	30,000	8,000	87,000	22,000	109,000	100.0%
Dalian Tiandi[1]	188,000	121,000	24,000	40,000	373,000	-	373,000	48.0%
Total	512,000	372,000	78,000	48,000	1,010,000	166,000	1,176,000	

[1] *Dalian Tiandi is a project developed by associates of the Group.*

Shanghai Taipingqiao

The construction works for both Xintiandi Style and the Manor were completed in 2010. The Manor was launched for sale and Xintiandi Style commenced business in the fourth quarter of 2010.

The relocation progress was slow down during the Shanghai EXPO. As of 31 December 2010, Lot 126 and Lot 127 have been 99% and 90% relocated respectively. The two sites are to be developed into a twin-tower grade-A office buildings with retail podium. Construction works are expected to be commenced in 2011.

The first round of relocation consultation for the first stage of residential Phase 4 (Lot 116) was completed under the new relocation scheme. The second round of consultation commenced in December 2010 with 68% of the households in Lot 116 Stage 1 signed up the relocation agreement by the end of 2010 and achieved 78% up to 28 February 2011. The planned GFA for this residential site is 90,000 sq.m. and the Company has a 50% interest.

Shanghai Rui Hong Xin Cheng
Residential Phase 4 (Lot 4) is under construction. Towers 5 and 6 were launched for pre-sale in late December and scheduled for delivery in 2012. Towers 1 and 2 is expected to be launched in the second quarter of 2011, and delivered by the end of the year.

Relocation and site clearance for Phase 5 (Lot 6) were almost completed. As of 31 December 2010, 99% of the households in Lot 6 had signed the relocation agreements. The planned residential GFA is 116,000 sq.m. and the retail GFA is 18,000 sq.m. Phase 5 (Lot 6) is expected to be available for pre-sale in 2012.

By adopting the new relocation scheme, the second round of relocation consultation on Lot 3 and Lot 2 Stage 1 was completed in April 2010. 77% of residents have signed the relocation agreements as of 31 December 2010.

With the successful implementation of new relocation scheme in previous lots, the district government plans to speed up the relocation of Rui Hong Xin Cheng. The second round of relocation consultation on Lot 2 Stage 2, Lot 9 and Lot 10 started in December 2010. 59%, 64% and 60% of residents respectively have signed the relocation agreements up to 28 February 2011. Lots 2, 3, 9 and 10 have a planned GFA of 569,000 sq.m., which is planned to be developed into residential apartments, office towers and commercial spaces.

Please note that all the GFA stated above are under the new master plan, which was recently approved by Shanghai government in January 2011.

Shanghai KIC
Construction works at KIC Plaza Phase 2 were completed in 2010. Three office buildings with retail podiums on Lot C2 with GFA of 53,000 sq.m. were under construction and are expected to be delivered in 2011.

Hangzhou Xihu Tiandi
In February 2011, the Company disposed Hangzhou Xihu Tiandi Phase 2 for a total consideration of RMB340 million. The reason was due to the relatively small scale of operations (the planned leaseable GFA is 42,000 sq.m.) and the procrastination of the relocation.

Wuhan Tiandi
Delivery of residential Phase 2 the Riverview (Lots A6, A8 and A10) was made in 2010. Residential Phase 3 (Lots A11 and A12), comprising super luxurious residential apartments, was under construction with the first batch having been launched for pre-sale in late December 2010. Lot A5, a grade A office tower with retail podium, was also under construction and is expected to be delivered in 2011. The retail podium of Lots A1/2/3 with a total GFA of 109,000 sq.m., a co-development with Redevco, commenced construction in November 2010.

81% or 550,000 sq.m. in Site B are expected to be developed into residential and the remaining 127,000 sq.m. into retail and office. Construction works at Phase 4 (Lots B9 and B11) were underway and are expected to be available for delivery in 2012 and 2013 respectively.

Chongqing Tiandi
A portion of residential Phase 1 was delivered in 2010. Residential Phase 2 (Lot B2-1/01) of the Riviera has a total residential GFA of 202,400 sq.m. A total of 133,700 sq.m. was pre-sold in 2010 and a portion of them had been delivered in the same year. The remaining GFA in Phase 2 is expected to be launched for pre-sale in 2011 and for delivery in 2011 and 2012. Residential Phase 3 (Lot B19/01) commenced construction in 2010. Tower 6 of residential Phase 3 was launched for pre-sale in late December 2010 and Tower 4 was launched for pre-sale in February 2011. The remainder is expected to be launched according to the construction schedule and sale plan. Phase 3 is planned to be delivered from 2012 to 2013.

The commercial area, Chongqing Tiandi, with a total GFA of 49,000 sq.m. was completed. Amenities, such as the grand theatre and man-made lakes, were opened to the public in May and June of 2010, providing a new recreational area and "talk of the town" attraction for Chongqing residents. Construction works of a grade A office tower in Phase 1 of Lot B11-1/02 with a GFA of 129,000 sq.m. commenced in late 2009 and the project is planned to be completed in 2013. Construction works of another office tower in Lot B12-1/02 commenced in December 2010.

Foshan Lingnan Tiandi
Residential Phase 1 (Lots 4 and 14) commenced construction in 2009. It is designed as residential apartments and townhouses. Residential apartments in Lot 4 (The Regency Phase 1) were launched for pre-sale in 2010. Townhouses in Lot 14 (The Legendary Phase 1) were launched in February 2011. Residential Phase 2 (Lots 5 and 15) was under construction and is scheduled to be launched for pre-sale in 2011.

The first stage of Foshan Lingnan Tiandi (Lot 1) began construction works in 2009 and is expected to be completed in 2011. Lot D is to be developed into hotel, serviced apartments and retail spaces with planned completion date in 2011. Construction works at Lot E, designed to be a shopping mall together with residential apartments, are expected to commence in early 2011.

Dalian Tiandi
A total of 1.4 million sq.m. GFA is currently under development. It is planned to be developed into software office buildings, IT training centres, IT Tiandi and residential apartments.

Landbank

Land acquisitions

In January 2010, the Group signed a purchase agreement with a third party to acquire a special purpose company that holds the development rights for two lots of land (Lots 167A and 167B) adjacent to Shanghai Rui Hong Xin Cheng Project with a planned GFA of 230,000 sq.m. according to the new master plan.

In March 2010, the Group won a bid for a parcel of land at Shanghai KIC project with a total planned GFA of 159,000 sq.m. at a consideration of RMB1,264 million. This parcel of land is part of the master plan of the entire development of Shanghai KIC project.

In September 2010, the Group won a bid for a parcel of land located at Shanghai Hongqiao Transportation Hub for RMB3,188 million. Hongqiao Transportation Hub is positioned to be an important economic centre of the Yangtze Delta, which will link Shanghai to the rest of the Mainland. The land parcel is adjacent to and directly linked to high-speed train station, airport, expressway, long-haul bus station and an under-ground metro system. The site is expected to be developed into retail, office and hotel properties, with an estimated leasable GFA of 278,000 sq.m.

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

As of 31 December 2010, the Group's landbank stood at 13.3 million sq.m. (11.6 million sq.m. leaseable and saleable GFA, and 1.7 million sq.m. clubhouse, car parking space and other facilities) in nine development projects located in prime areas spanning six cities: Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian.

Of the total 8.5 million sq.m. leasable and saleable GFA that attributable to the Group, 42% was for residential use, 33% office, 21% retail and 4% for hotel and serviced apartments. In terms of geographic location, 29% is in Shanghai, 11% in Wuhan, 24% in Chongqing, 18% in Foshan and 18% in Dalian.

Completed properties

As of 31 December 2010, the Group had 511,000 sq.m. of completed properties on hand, of which 483,000 sq.m. were commerical properties (composed of 480,000 sq.m. investment properties held for rental purpose and 3,000 sq.m. planned for sales) and 28,000 sq.m. were residential GFA unsold or sold but not handed over.

Property under development

As of 31 December 2010, the Group had a GFA of 4.3 million sq.m. of properties under development, which are targeted for delivery progressively over the following years. The GFA in properties under development increased 65% from 2.6 million sq.m. in 2009.

Property for future development

As of 31 December 2010, the Group had a GFA of 6.8 million sq.m. of properties held for future development.

The Group's total landbank as of 31 December 2010, including that of its associates, is summarised below:

Project	Residential	Office	Retail	Hotel/ serviced apartments	**Subtotal**	Clubhouse, carpark and other facilities	**Total**	Group's interest
	Approximate/Estimated leasable and saleable GFA							
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	%
Completed properties:								
Shanghai Taipingqiao	7,000	81,000	81,000	5,000	**174,000**	95,000	**269,000**	99.0%[1]
Shanghai Rui Hong Xin Cheng	-	-	35,000	-	**35,000**	38,000	**73,000**	74.3%[2]
Shanghai KIC	-	93,000	42,000	-	**135,000**	96,000	**231,000**	86.8%
Hangzhou Xihu Tiandi	-	-	6,000	-	**6,000**	-	**6,000**	100.0%
Wuhan Tiandi	3,000	-	47,000	-	**50,000**	27,000	**77,000**	75.0%
Chongqing Tiandi	18,000	-	51,000	-	**69,000**	44,000	**113,000**	79.4%
Dalian Tiandi	-	42,000	-	-	**42,000**	14,000	**56,000**	48.0%[3]
Subtotal	28,000	216,000	262,000	5,000	**511,000**	314,000	**825,000**	
Properties under development:								
Shanghai Taipingqiao	90,000	105,000	52,000	-	**247,000**	81,000	**328,000**	99.0%[1]
Shanghai Rui Hong Xin Cheng	179,000	-	30,000	-	**209,000**	79,000	**288,000**	74.3%
Shanghai KIC	-	42,000	11,000	-	**53,000**	28,000	**81,000**	86.8%
Hangzhou Xihu Tiandi[4]	-	-	42,000	-	**42,000**	27,000	**69,000**	100.0%
Wuhan Tiandi	177,000	57,000	111,000	-	**345,000**	46,000	**391,000**	75.0%
Chongqing Tiandi	543,000	778,000	275,000	25,000	**1,621,000**	477,000	**2,098,000**	79.4%[5]
Foshan Lingnan Tiandi	138,000	-	147,000	45,000	**330,000**	125,000	**455,000**	100.0%
Dalian Tiandi	752,000	411,000	245,000	40,000	**1,448,000**	104,000	**1,552,000**	48.0%[3]
Subtotal	1,879,000	1,393,000	913,000	110,000	**4,295,000**	967,000	**5,262,000**	
Properties for future development:								
Shanghai Taipingqiao	166,000	174,000	118,000	38,000	**496,000**	44,000	**540,000**	99.0%
Shanghai Rui Hong Xin Cheng[6]	535,000	272,000	252,000	10,000	**1,069,000**	12,000	**1,081,000**	74.3%[2]
Shanghai KIC	48,000	93,000	-	18,000	**159,000**	-	**159,000**	99.0%
Shanghai Hongqiao Tiandi	-	127,000	128,000	23,000	**278,000**	95,000	**373,000**	100.0%
Wuhan Tiandi	424,000	288,000	92,000	50,000	**854,000**	40,000	**894,000**	75.0%
Chongqing Tiandi	780,000	25,000	91,000	78,000	**974,000**	218,000	**1,192,000**	79.4%
Foshan Lingnan Tiandi	545,000	450,000	137,000	80,000	**1,212,000**	38,000	**1,250,000**	100.0%
Dalian Tiandi	431,000	879,000	360,000	42,000	**1,712,000**	-	**1,712,000**	48.0%[3]
Subtotal	2,929,000	2,308,000	1,178,000	339,000	**6,754,000**	447,000	**7,201,000**	
Total landbank GFA	**4,836,000**	**3,917,000**	**2,353,000**	**454,000**	**11,560,000**	**1,728,000**	**13,288,000**	

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

2 *The Group has a 75.0% interest in the Phase I, Lot 167A and Lot 167B of Shanghai Rui Hong Xin Cheng project and 74.3% interests in all the remaining phases.*

3 *Dalian Tiandi has a landbank of 3.3 million sq.m. in GFA. As of 31 December 2010, approximately 3.0 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course.*

4 *Hangzhou Xihu Tiandi Phase 2 has been disposed of in February 2011.*

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

6 *The GFA figures of the properties for future development in Shanghai Rui Hong Xin Cheng project are stated in accordance with the new master plan approved in January 2011.*

Market Outlook

China continued to lead the global post-financial crisis recovery last year, as its foreign trade sector rebounded while domestic demand sustained vigorous momentum. Recent sovereign credit rating upgrades attest to China's reputation for prudent macroeconomic management. Increased foreign direct investment flows indicate international business confidence in China. In 2010, China recorded 10.3% GDP growth, and the government has begun to exit its stimulus policies at a measured pace, while maintaining vigilance towards global economic uncertainty. As demonstrated during the recent financial crisis, China has the capacity to respond decisively to major economic shocks.

The housing market continued to show strength in terms of transaction volumes and price movements last year. Market sentiment was buoyant, and the government became concerned that home prices in certain cities were rising too quickly. Despite two rounds of tightening measures in 2010, housing demand remained persistently strong owing to robust economic fundamentals, such as rising personal incomes and an improving economic outlook. Inflationary expectations also helped to lift demand for property, which is perceived as a secure store of value. To stabilise inflationary expectations, the central bank has begun to tighten monetary policy, raising interest rates three times between October 2010 and February 2011, and increasing the bank reserve requirement ratio multiple times.

The latest round of residential market tightening measures, announced in January this year, can be seen as a further move to dampen market sentiment and prevent overheating. These "temporary" measures are aimed at cooling speculative demand rather than end-user demand. The minimum downpayment for second-home purchase was raised from 50% to 60%. The measures call on a large number of cities - including municipalities, provincial capitals and cities with surging home prices - to implement purchase restrictions. Local residents with only one property may purchase one more property, while non-local residents with one property - and local residents with two or more properties - are banned from purchasing any additional properties. The State Council has also called on local governments to release implementation plans to control housing price during the first quarter.

The more stringent housing policy this year will shrink the pool of eligible buyers and is expected to bring about a downward price adjustment in some cities and a more prolonged slowdown in transactions compared with last year.

Chongqing and Shanghai have begun levying different pilot versions of an annual property tax. The tax rates for Shanghai range from 0.4% to 0.6%, and only apply to new purchases. The government is also taking action to address longer-term structural issues in order to achieve a better balance between housing supply and demand. It aims to steer housing prices to a sustainable path, in line with rising income and rapidly developing city economies. On the supply front, the government is making more land available for the development of public housing. The authorities have expedited housing construction on 5.9 million affordable housing units in 2010, and are targeting construction of 10 million units in 2011. Expanding provision of affordable housing to lower-income households should allow the government to take a more hands-off approach to the private-sector housing market in due course.

In Shanghai, the company's newly acquired site in Hongqiao is strategically positioned within the mainland China's first major air and land multimodal transport hub. Hongqiao Airport, which ranked fourth by passenger numbers amongst mainland China airports in 2009, is targeting an expansion of annual passengers from 29 million in 2009 to 40 million by 2015. The hub is currently served by two urban metro lines, which will eventually be expanded into five. By year-end, Hongqiao Transport Hub will become a terminus for three major national high-speed rail trunk lines serving Beijing, Guangzhou and Chengdu. The hub's exceptional regional and international accessibility is an indication of its enormous commercial real estate development potential. In this vein, Hangzhou's tourism and retail sector is expected to benefit as well from its new high-speed rail connection with Shanghai, which reduces travel time down to around 45 minutes.

Chongqing and Wuhan are continuing to develop as the principal economic centres for West and Central China, respectively. In May 2010, the State Council approved the establishment of Chongqing Liangjiang New Economic Zone, which will enjoy a status similar to Pudong in Shanghai and Binhai in Tianjin. Liangjiang will enjoy preferential policies and become a testing ground for economic reforms. Liangjiang's positioning as the international gateway for inland China and the financial/innovation centre for the Upper Yangtze Region should attract foreign investment inflows and generate greater demand for the municipality's high-end commercial and residential property. In early 2010, Wuhan East Lake High Tech Development Zone was designated as China's second National Innovation Model Zone after Beijing's Zhongguancun. The government of Wuhan plans to invest RMB240 billion in upgrading its transport infrastructure over the next five years. Planned projects include a second airport and high-speed rail lines that will shorten journey times between Wuhan and each of its eight surrounding cities to less than half an hour.

Foshan's local business-driven economy continues to power ahead, overtaking Qingdao to reach tenth place amongst Chinese mainland cities in terms of GDP in 2010. Foshan's housing market is benefiting from regional urban integration. The Guangdong provincial government has announced a plan to improve integration of infrastructure, industries, urban-rural planning, environmental protection and public services in the Pearl River Delta - which would benefit Foshan. Our project in Dalian taps into forward-looking growth themes in China's economy, namely the development of the software and service outsourcing sector. China has made development of this sector a priority; and last August the Ministry of Finance announced a sales tax waiver until 2013 for service-outsourcing companies in a number of selected cities including Dalian. The Dalian Tiandi project, as a part of Dalian Software Park Phase II, is well positioned to benefit from this sector's outstanding growth.

Although the more restrictive policy environment will lead to short-term fluctuations in housing sales this year, the industry's fundamentals - namely urbanisation and income growth - remain solid. We believe that the locations and maturing communities within the neighbourhood of our projects are the competitive strengths which will be an effective shield during times of market uncertainty. Our portfolio of commercial properties, including Xintiandi-style developments and Hongqiao Tiandi, stand to benefit from growing middle class affluence and government policies to increase local consumption. We are cautiously optimistic about the prospects of the housing market this year and we shall expedite the pace of development to meet our growth target.

Financial Review

Turnover dropped by 28% to RMB4,879 million (2009: RMB6,758 million), primarily due to the decrease in property sales recognised in 2010.

Property sales were down by 32% to RMB4,133 million (2009: RMB6,078 million) due to change in sales mix from different cities as well as the postponement of sales for upgrading The Manor into super luxurious apartments in terms of handover provisions. Details of property sales during the year ended 31 December 2010 are contained in the paragraph headed "Property Sales" in the Business Review Section referred to the above.

Rental and other related income from investment properties rose by 10% to RMB706 million (2009: RMB643 million), mainly due to more leasable area available as a result of more investment properties completed during the year.

Gross profit for 2010 declined to RMB2,010 million (2009: RMB3,529 million) with a gross profit margin of 41% (2009: 52%), largely due to the delivery of the higher margin Shanghai Casa Lakeville in 2009.

Other income rose by 33% to RMB226 million (2009: RMB170 million), consisting of RMB150 million (2009: RMB149 million) in interest income, RMB33 million (2009: RMB20 million) in grants received from local government, guarantee fee income of RMB19 million (2009: nil) and others of RMB24 million (2009: RMB1 million).

Selling and marketing expenses decreased by 6% to RMB142 million (2009: RMB151 million) mainly due to the decrease in contracted sales of the Group from RMB6,486 million in 2009 to RMB4,606 million in 2010 (excluding associates).

General and administrative expenses slightly increased by 3% to RMB561 million (2009: RMB543 million).

Operating profit was lower by 49% at RMB1,533 million (2009: RMB3,005 million), a composite effect on the various items mentioned above.

With the accelerated program for the development of investment properties and asset appreciation, i*ncrease in fair value of investment properties* rose to RMB2,711 million (2009: RMB536 million), of which RMB1,140 million (2009: RMB259 million) was derived from completed investment properties and RMB1,571 million (2009: RMB277 million) from investment properties under construction or development. Details of the investment properties are contained in the paragraph headed "Investment Properties" in the Business Review Section referred to the above.

Gain on disposal of investment properties of RMB23 million for the year ended 31 December 2010 represented the disposal of office and retail spaces at a net consideration of RMB185 million (2009: nil).

Share of results of associates was RMB58 million (2009: RMB436 million), which included a revaluation gain of the investment properties under development or construction (net of related taxes) amounting to RMB96 million (2009: RMB496 million) attributable to the Group.

Finance costs, net of exchange gain amounted to a net income of RMB42 million (2009: net expense of RMB89 million), mainly due to the exchange gain on bank and other borrowings of RMB200 million (2009: RMB 44 million). With the issue of RMB2,720 million convertible bonds and RMB3,000 million notes, as well as additional bank loans raised of RMB2,980 million during the year, interest expenses increased to RMB888 million (2009: RMB761 million). Capitalised borrowing costs increased proportionally to RMB796 million (2009: RMB634 million).

Profit before taxation increased by 12% to RMB4,367 million (2009: RMB3,894 million), due to a composite effect of the various items mentioned above.

Taxation increased by 4% to RMB1,357 million (2009: RMB1,301 million). Excluding the land appreciation tax of RMB215 million (which was assessed based on the appreciation value of properties disposed of) together with its corresponding enterprise income tax effect of RMB54 million, the effective tax rate for the year 2010 was 27.4% (2009: 24.4%).

Profit attributable to shareholders of the Company for 2010 was RMB2,809 million, an increase of 5% when compared to 2009 (2009: RMB2,673million).

Profit attributable to shareholders excluding revaluation of investment properties is as follows:

	Year ended 31 December		
	2010	2009	%
	RMB'million	RMB'million	change
Profit attributable to shareholders of the Company	**2,809**	2,673	+5%
Revaluation increase on investment properties of the Group (net of deferred tax effect and share of non-controlling interests)	**(1,957)**	(493)	
Share of revaluation increase on investment properties of associates (net of tax effect)	**(96)**	(496)	
Profit attributable to shareholders of the Company before revaluation of investment properties	**756**	1,684	-55%

Earnings per share were RMB0.55 calculated based on a weighted average of approximately 5,091 million shares in issue during the year ended 31 December 2010 (2009: RMB0.55 calculated based on a weighted average of approximately 4,823 million shares in issue).

Capital Structure, Gearing Ratio and Funding

In September 2010, the Company issued RMB denominated US$ settled convertible bonds with an aggregate principal amount of RMB2,720 million. The convertible bonds bear coupon of 4.5% per annum and convertible at initial conversion price of HK$4.87 with a fixed exchange rate of RMB1.00 to HK$1.1439 at any time between 10 November 2010 and 19 September 2015. In December 2010, the Group also issued RMB3,000 million senior notes with a maturity of three years due in December 2013 (the "2013 Notes"). The 2013 Notes are denominated in RMB and settled in US$, with coupon rate of 6.875% per annum payable semi-annually. In January 2011, the Group further issued RMB3,500 million senior notes with a maturity of four years due in January 2015 (the "2015 Notes"). The 2015 Notes are denominated in RMB and settled in US$, with coupon rate of 7.625% per annum payable semi-annually. The aggregate proceeds from the convertible bonds and senior notes of RMB9,220 million are intended to fund capital expenditures and business growth in future years.

As of 31 December 2010, the structure of the Group's borrowings is summarised below:

	Total (in RMB equivalent)	**Due within one year**	**Due in more than one year but not exceeding two years**	**Due in more than two years but not exceeding five years**	**Due in more than five years**
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	4,576	350	1,240	1,993	993
Bank borrowings – HK$	8,276	1,294	5,081	1,901	-
Other borrowings – US$	331	-	-	331	-
	13,183	1,644	6,321	4,225	993
Convertible bonds – RMB	2,117	-	-	2,117	-
Notes – RMB	2,945	-	-	2,945	-
Total	18,245	1,644	6,321	9,287	993

Total cash and bank deposits amounted to RMB6,790 million as of 31 December 2010 (31 December 2009: RMB4,947 million), which included RMB1,885 million (31 December 2009: RMB2,019 million) of deposits pledged to banks. The increase in our cash balance was mainly due to the issue of convertible bond of RMB2,720 million and notes of RMB3,000 million (due in 2013) during the year.

As of 31 December 2010, the Group's net debt balance was RMB11,455 million (31 December 2009: RMB5,256 million) and its total equity was RMB26,028 million (31 December 2009: RMB22,574 million). The Group's net gearing ratio was 44% as of 31 December 2010 (31 December 2009: 23%), calculated on the basis of the excess of the sum of convertible bonds, notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits) over the total equity.

The Group's rental and other related income for 2010 expressed as a percentage of the Group's total interest costs before capitalisation to properties under development was 80% (2009: 84%).

Pledged Assets

As of 31 December 2010, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable and bank and cash balances totalling RMB25,275 million (31 December 2009: RMB20,877 million) to secure our borrowings of RMB11,186 million (31 December 2009: RMB9,217 million).

Capital and Other Development Related Commitments

As of 31 December 2010, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB14,579 million (31 December 2009: RMB14,418 million).

Future Plans for Material Investments and Sources of Funding

In September 2010, the Company successfully bid for a piece of land located in Shanghai's Hongqiao Transportation Hub with an estimated leasable GFA of approximately 278,000 sq.m. at a consideration of RMB3,188 million.

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

Cash flow Management and Liquidity Risk

Management of the Group's cash flow is the responsibility of the Group's treasury function at the corporate level.

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

Exchange Rate and Interest Rate Risks

The revenue of the Group is denominated in RMB. The convertible bonds and notes issued during the year were also denominated in RMB. As a result, the coupon payments and the repayment of the principal amounts of the convertible bonds and notes do not expose the Group to any exchange rate risks. A portion of the revenue, however, is converted into other currencies to meet our foreign currency denominated debt obligations, such as the bank and other borrowings denominated in HK$ and US$. As a result, to the extent where we have a net currency exposure, the Group is exposed to fluctuations in foreign exchange rates.

Considering a relatively stable currency regime with regard to the RMB as it is maintained by the Central Government, which only allows the exchange rate to fluctuate within a narrow range going forward, and the Group's view that it is more probable than the value of RMB will appreciate rather than depreciate relative to the HK$/US$ in the short to medium term; the Group expects that any adverse effects of the exchange rate fluctuation between the RMB and HK$/US$ may not be significant.

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

At 31 December 2010, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Borrowing Rates. The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interest at variable rates at the Hong Kong Inter-bank Borrowing Rates and pay interest at fixed rates ranging from 0.95% to 3.58% based on the notional amount of HK$5,581 million in aggregate.

Save as disclosed above, the Group did not hold any other derivative financial instruments as of 31 December 2010. The Group continues to monitor its exposure to interest rate and exchange rate risks closely, and may employ derivative financial instruments to hedge against risk when necessary.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.05 per share for the year ended 31 December 2010 (2009: HK$0.12 per share). Subject to shareholders' approval of the final dividend at the annual general meeting to be held on 19 May 2011, the final dividend is expected to be paid on or about 30 June 2011 to shareholders whose names appear on the register of members of the Company on 19 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 May 2011 to 19 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and entitlement to attend the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 11 May 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the year ended 31 December 2010.

CORPORATE GOVERNANCE

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the code regarding securities transactions by the Directors and relevant employees.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2010.

To comply with the code provision A.5.4 of the CG Code, the Company has established and adopted a Code for Securities Transactions by Relevant Employees, on no less exacting terms than the Model Code, to regulate dealings in the shares of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its shares.

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

Board Composition

During the year ended 31 December 2010, there were eleven members in the Board of Directors of the Company and the majority of them were Independent Non-executive Directors ("INEDs"). With the retirement of Mr. Louis H. W. WONG ("Mr. WONG") with effect from 16 March 2011, the Board is currently made up of ten members in total, with three Executive Directors, one Non-executive Director and six INEDs.

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

Audit Committee

During the year ended 31 December 2010, the Audit Committee consists of three members, namely Professor Gary C. BIDDLE ("Professor BIDDLE"), Dr. Edgar W. K. CHENG and Dr. Roger L. McCARTHY. All of them are INEDs. The chairman of the Audit Committee is Professor BIDDLE.

The Audit Committee has reviewed the Group’s interim and annual results for the year ended 31 December 2010, including the accounting principles and practices adopted by the Company, in conjunction with the Company’s external auditors.

Remuneration Committee

During the year ended 31 December 2010, the Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. Vincent H. S. LO ("Mr. LO") and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. FUNG.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of the Directors and senior management, and to evaluate and make recommendations on employee benefit arrangements.

Nomination Committee
The Nomination Committee currently comprises three members, Mr. LO, Sir John R. H. BOND ("Sir John BOND") and Professor BIDDLE. Sir John BOND and Professor BIDDLE are INEDs. The Chairman of the Nomination Committee is Mr. LO.

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

Finance Committee
During the year ended 31 December 2010, the directors who were members of the Finance Committee were Mr. LO, Sir John BOND, Dr. FUNG, Professor BIDDLE, Mr. WONG (retired with effect from 16 March 2011), Mr. Daniel Y. K. WAN and Mr. Freddy C. K. LEE (appointed with effect from 19 August 2010). Sir John BOND, Dr. FUNG and Professor BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. LO.

The primary functions of the Finance Committee are to stipulate and monitor the financial strategies, policies and guidelines of the Group.

Compliance with Code on Corporate Governance Practices
During the year ended 31 December 2010, the Company has complied with the code provisions of the CG Code except for the following deviation:

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

Mr. LO is the Chairman, CEO and the founder of the Company. The Board considered that vesting the roles of the Chairman and CEO in the same person was necessary because of the unique role and market importance of Mr. LO in the business development efforts of the Company. This vesting provided strong and consistent market leadership and was critical for efficient business planning and decisions of the Company in its maturing stage of development. Furthermore, all major decisions were made in consultation with members of the Board and appropriate board committees. There were six INEDs on the Board offering strong, independent and differing perspectives. The Board was therefore of the view that there were adequate balance-of-power and safeguards in place.

With the high growth strategy and the decentralisation policy that the Company has been pursuing since 2010, the Board of Directors considers that it is an appropriate time to separate the roles of the Chairman and the CEO for a clear division of responsibilities between the management of the Board and the day-to-day management of the business. This will ensure a balance of power and authority, and the Company should be calling for innovative and entrepreneurial decision making by the front line executives. Thus, on 16 March 2011, the Board appointed Mr. Freddy C. K. LEE as the new CEO of the Company, while Mr. LO remains as the Chairman of the Company with effect from the same date.

Further information on the Company’s corporate governance practices during the year under review will be set out in the corporate governance report to be contained in the Company’s 2010 annual report which will be sent to the shareholders of the Company in mid April 2011.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2010, the number of employees in the Group was 1,267 (31 December 2009: 1,402); the headcount of the property management business acquired in 2008 was 1,350 (31 December 2009: 1,114). The Group provides comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programmes organised by professional bodies and educational institutes.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2010, and consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

Firstly, I must congratulate Freddy Lee on his appointment as CEO of the Group. It is a challenging, yet extremely rewarding position; and I have every confidence in Freddy's ability and his dedication to taking the Group to new heights.

I would also like to express my sincere thanks to our Directors, who have guided the Group to go from strength to strength over the past few years. Finally, I must thank all our staff for their dedication, loyalty and tireless efforts. Our staff have proven time and again that "people make the difference".

2011 will be a watershed year for Shui On Land, as we evolve to take on bigger challenges and delivering better results. I look forward to continuing to lead the Group in creating more value for all our shareholders, and taking Shui On Land to greater success.

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

Hong Kong, 16 March 2011

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

** For identification purposes only*