深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

2010 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue up 22% to HK$6,584.6 million; Net profit attributable to shareholders up 34% to HK$1,324.8 million;
- Gross profit margin up 3.5 percentage points to 37%; Net profit margin up 1.8 percentage points to 20%;
- Holding HK$6.2 billion cash on hand; net gearing at 48.6% as of the end of 2010;
- Proposed final dividend at HK7.0 cents per share, with an annual payout ratio of 37%.

The Board of Directors (the "Directors") of Shenzhen Investment Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with the comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	4	**6,584,598**	5,386,940
Cost of sales		**(4,158,770)**	(3,590,463)
Gross profit		**2,425,828**	1,796,477
Other income and gains	4	**336,260**	245,069
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		**(954)**	4,150
Financial liabilities at fair value through profit or loss		**103,019**	46,832
Increase in fair value of investment properties		**595,372**	213,773
Selling and distribution costs		**(155,677)**	(169,779)
Administrative expenses		**(661,879)**	(485,755)
Other expenses		**(367,576)**	(96,819)
Finance costs	6	**(206,000)**	(216,449)
Share of profits and losses of associates		**392,521**	348,108
PROFIT BEFORE TAX	5	**2,460,914**	1,685,607
Income tax expense	7	**(884,047)**	(551,116)
PROFIT FOR THE YEAR		**1,576,867**	1,134,491

	Note	2010	2009
		HK$'000	*HK$'000*
Attributable to:			
Owners of the parent		**1,324,780**	987,656
Non-controlling interests		**252,087**	146,835
		1,576,867	1,134,491
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For profit for the year		**HK37.47 cents**	HK29.59 cents
Diluted			
– For profit for the year		**HK37.34 cents**	HK29.52 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR	**1,576,867**	1,134,491
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value	**(17,520)**	29,031
Income tax effect	**3,229**	(9,257)
	(14,291)	19,774
Gain on property revaluation	**–**	1,867
Share of other comprehensive income of associates	**62,588**	1,643
Exchange differences on translation of foreign operations	**500,438**	(8,849)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**548,735**	14,435
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,125,602**	1,148,926
Attributable to:		
Owners of the parent	**1,830,693**	1,007,481
Non-controlling interests	**294,909**	141,445
	2,125,602	1,148,926

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**630,115**	587,414
Intangible assets		**84,305**	88,092
Prepaid land lease payments		**30,738**	4,118
Goodwill		**322,625**	322,600
Investment properties		**4,902,151**	4,105,782
Investments in associates		**5,010,384**	4,970,160
Held-to-maturity investment		**385,938**	383,518
Available-for-sale investments		**34,014**	46,744
Other long term assets		**156,876**	1,166,319
Deferred tax assets		**332,348**	262,642
Total non-current assets		**11,889,494**	11,937,389
CURRENT ASSETS			
Inventories		**60,289**	63,204
Completed properties held for sale		**2,441,670**	1,775,443
Properties under development		**12,160,436**	9,404,382
Trade receivables	*10*	**199,449**	532,936
Prepayments, deposits and other receivables		**1,353,642**	907,571
Financial assets at fair value through profit or loss		**20,564**	21,510
Cash and cash equivalents		**6,245,463**	6,434,237
Total current assets		**22,481,513**	19,139,283
CURRENT LIABILITIES			
Interest-bearing bank loans		**9,615,482**	3,262,263
Derivative financial instruments		**65,861**	168,880
Trade payables	*11*	**141,725**	88,250
Other payables and accruals		**4,249,817**	4,487,476
Due to the ultimate holding company		**41,616**	102,390
Tax payable		**1,447,667**	1,148,643
Total current liabilities		**15,562,168**	9,257,902
NET CURRENT ASSETS		**6,919,345**	9,881,381
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,808,839**	21,818,770
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**3,173,527**	7,704,433
Deferred tax liabilities		**935,515**	702,659
Total non-current liabilities		**4,109,042**	8,407,092
Net assets		**14,699,797**	13,411,678

	2010	2009
	HK$'000	*HK$'000*
EQUITY		
Total equity attributable to owners of the parent		
Issued capital	**176,828**	176,392
Reserves	**13,050,515**	11,966,669
Proposed final dividend	**247,560**	246,948
	13,474,903	12,390,009
Non-controlling interests	**1,224,894**	1,021,669
Total equity	**14,699,797**	13,411,678

NOTES TO FINANCIAL STATEMENTS

31 December 2010

1. Corporate information

Shenzhen Investment Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

– Property development
– Property investment
– Property management
– Provision of transportation services
– Manufacture and sale of industrial and commercial products

In the opinion of the directors, the immediate holding company of the Group is Shum Yip Holdings Company Limited ("Shum Yip Holdings", 深業(集團)有限公司), which is a private company incorporated in Hong Kong. The ultimate holding company of the Group is 深業集團有限公司 (formerly 深業投資開發有限公司), which is a private company established in Shenzhen, the People's Republic of China (the "PRC").

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instance from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 Changes in accounting policy and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures.*

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments*: *Disclosures– Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation- Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's result of operations and financial position.

3. **Operating segment information**

For management purpose, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

(a) the property development segment engages in the development of residential, industrial and commercial properties;

(b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;

(c) the property management segment engages in the management of both properties developed by the Group and external parties;

(d) the transportation services segment consists of the provision of passenger and freight transportation services, automobile maintenance and other related services;

(e) the manufacturing segment engages in the manufacture and sale of industrial and commercial products; and

(f) the "others" segment comprises, principally, the manufacture and sale of aluminum alloys and other businesses.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, amount due to the ultimate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2010	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Transportation services *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to customers	4,660,705	390,849	732,283	238,911	280,540	281,310	6,584,598
Intersegment sales	–	–	15,437	–	–	43,772	59,209
	4,660,705	390,849	747,720	238,911	280,540	325,082	6,643,807
Reconciliation							
Elimination of intersegment sales							(59,209)
Revenue							6,584,598
Segment results before increase in fair value of investment properties	1,196,739	448,877	(7,250)	35,159	10,548	115,422	1,799,495
Increase in fair value of investment properties	–	595,372	–	–	–	–	595,372
Segment results after increase in fair value of investment properties	1,196,739	1,044,249	(7,250)	35,159	10,548	115,422	2,394,867
Reconciliation							
Elimination of intersegment results							(3,718)
Interest income							161,176
Dividend income and unallocated gains							19,238
Gains on disposal of a subsidiary							106,906
Fair value gain of the financial instruments, net							102,065
Corporate and other unallocated expense							(113,620)
Finance costs							(206,000)
Profit before tax							2,460,914
Segment assets	20,834,746	5,143,753	100,063	372,323	188,643	644,493	27,284,021
Reconciliation							
Corporate and other unallocated assets							7,086,986
Total assets							34,371,007
Segment liabilities	3,293,339	225,954	167,507	248,745	90,240	252,491	4,278,276
Reconciliation							
Corporate and other unallocated liabilities							15,392,934
Total liabilities							19,671,210
Other segment information:							
Depreciation	11,128	8,981	7,444	33,523	7,247	12,261	80,584
Amortisation of vehicle licences	–	–	–	7,102	–	–	7,102
Amortisation of prepaid land lease payment	–	–	–	–	–	294	294
Impairment of investment in an associate	307,000	–	–	–	–	–	307,000
Share of profits and losses of associates	179,205	178,598	3,558	4,431	–	26,729	392,521
Investments in associates	4,319,786	106,614	13,249	44,187	15,133	511,415	5,010,384
Capital expenditure	6,536,808	14,245	6,817	12,778	6,157	12,305	6,589,110

Year ended 31 December 2009	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Transportation services *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to customers	3,684,217	365,831	629,270	231,460	230,585	245,577	5,386,940
Intersegment sales	–	–	7,567	–	–	44,849	52,416
	3,684,217	365,831	636,837	231,460	230,585	290,426	5,439,356
Reconciliation							
Elimination of intersegment sales							(52,416)
Revenue							5,386,940
Segment results before increase in fair value of investment properties	980,529	319,180	(12,208)	38,994	14,978	179,194	1,520,667
Increase in fair value of investment properties	–	213,773	–	–	–	–	213,773
Segment results after increase in fair value of investment properties	980,529	532,953	(12,208)	38,994	14,978	179,194	1,734,440
Reconciliation							
Elimination of intersegment result							(2,984)
Interest income							119,342
Dividend income and unallocated gains							76,025
Fair value gain of the financial instruments, net							50,982
Corporate and other unallocated expense							(75,749)
Finance costs							(216,449)
Profit before tax							1,685,607
Segment assets	17,905,065	4,473,558	103,252	395,997	192,169	785,803	23,855,844
Reconciliation							
Corporate and other unallocated assets							7,220,828
Total assets							31,076,672
Segment liabilities	3,441,642	294,606	291,702	225,699	66,437	202,270	4,522,356
Reconciliation							
Corporate and other unallocated liabilities							13,142,638
Total liabilities							17,664,994
Other segment information:							
Depreciation	8,515	12,343	7,131	33,751	7,067	7,762	76,569
Amortisation of vehicle licences	–	–	–	5,948	–	–	5,948
Impairment of investment in an associate	64,000	–	–	–	–	–	64,000
Share of profits and losses of associates	175,898	66,967	2,568	4,215	–	98,460	348,108
Investments in associates	4,242,278	95,610	13,873	43,236	30,106	545,057	4,970,160
Capital expenditure	2,846,558	122,231	6,704	10,595	8,309	11,449	3,005,846

4. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents proceeds from the sale of properties, commercial and industrial goods, rental income, management fee income, income from transportation and others.

An analysis of revenue, other income and gains is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**4,660,705**	3,684,217
Gross management fee income	**732,283**	629,270
Gross rental income from investment properties	**390,849**	365,831
Sale of commercial and industrial goods	**280,540**	230,585
Income from transportation	**238,911**	231,460
Others	**281,310**	245,577
	6,584,598	5,386,940
Other income		
Gross rental income from property, plant and equipment	**41,059**	31,084
Bank interest income	**54,320**	67,813
Interest income from a held-to-maturity investment	**48,014**	47,611
Others	**81,622**	65,774
	225,015	212,282
Gains		
Gains on disposal of investment properties	**2,011**	10,509
Gains on disposal of items of property, plant and equipment	**2,177**	6,225
Gains on acquisition of an additional interest in an associate	**–**	13,740
Gains on disposal of a subsidiary	**106,906**	–
Others	**151**	2,313
	111,245	32,787
Other income and gains	**336,260**	245,069

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	2010 *HK$'000*	2009 *HK$'000*
Cost of inventories sold	**3,063,053**	2,561,286
Cost of services provided	**583,294**	545,536
Auditors' remuneration	**6,919**	6,769
Depreciation	**80,584**	76,569
Impairment of trade receivables	**14,110**	14,939
Reversal of impairment of trade receivables	**(2,861)**	(27,227)
Impairment of investment in an associate*	**307,000**	64,000
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**48,508**	48,331
Write-back of impairment of items of property, plant and equipment	**–**	(1,097)
Minimum lease payments under operating leases in respect of land and buildings	**11,101**	10,795
Amortisation of vehicle licences	**7,102**	5,948
Amortisation of prepaid land lease payments	**294**	–
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**565,535**	538,114
Equity-settled share option expense	**8,371**	4,919
Pension scheme contributions	**84,008**	74,619
Less: Amount capitalised	**(26,468)**	(23,698)
Net: Pension scheme contributions	**57,540**	50,921
	631,446	593,954
Foreign exchange differences, net	**16,789**	(793)
Net rental income from investment properties	**(342,341)**	(317,500)
Net rental income from property, plant and equipment	**(28,998)**	(19,452)
Gains on disposal of investment properties	**(2,011)**	(10,509)
Gains on disposal of items of property, plant and equipment	**(2,177)**	(6,225)
Gains on disposal of a subsidiary	**(106,906)**	–

* The impairment of investment in an associate is included in "other expenses" in the consolidated income statement.

6. Finance costs

An analysis of finance costs is as follows:

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**341,516**	399,224
Total interest expense on financial liabilities not at fair value through profit or loss	**341,516**	399,224
Less: Interest capitalised	**(277,702)**	(301,616)
	63,814	97,608
Other finance costs	**142,186**	118,841
	206,000	216,449

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 5.27% (2009: 5.50%)

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2009: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Major subsidiaries of the Group operate in Shenzhen, Mainland China, which are subject to the corporate income tax rate of 22% (2009: 20%). However, with the new PRC Enterprise Income Tax Law becoming effective on 1 January 2008, the tax rate will increase eventually to 25% in 2012.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK$319,695,000 is charged to the consolidated income statement for the year (2009: HK$275,047,000).

	2010	2009
	HK$'000	*HK$'000*
Current – Mainland China	**416,111**	305,266
LAT in Mainland China	**319,695**	275,047
Deferred Mainland China corporate income tax	**148,241**	(29,197)
Total tax charge for the year	**884,047**	551,116

8. Dividends

	2010	2009
	HK$'000	*HK$'000*
Interim – HK7 cents (2009: HK5 cents) per ordinary share	**247,560**	161,041
Adjustment to prior year's final dividend	**612**	15,674
Proposed final dividend of HK7 cents (2009: final dividend of HK7 cents) per ordinary share	**247,560**	246,948
	495,732	423,663

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,535,689,759 (2009: 3,337,794,034) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share amounts are based on:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**1,324,780**	987,656

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,535,689,759**	3,337,794,034
Effect of dilution – weighted average number of ordinary shares:		
Share options	**12,641,367**	8,166,837
	3,548,331,126	3,345,960,871

10. Trade receivables

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**237,615**	558,716
Impairment	**(38,166)**	(25,780)
	199,449	532,936

Under normal circumstances, the Group does not grant any credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the contract date and net of provision, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**147,272**	409,575
One to two years	**16,947**	118,986
Two to three years	**35,230**	4,375
	199,449	532,936

11. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**88,548**	39,684
One to two years	**8,638**	5,872
Two to three years	**2,672**	3,333
Over three years	**41,867**	39,361
	141,725	88,250

The trade payables are non-interest-bearing.

12. Charge on assets

At 31 December 2010, the Group's bank loans amounting to HK$198,325,000 (2009: HK$266,549,000) were secured by:

(i) none of the Group's properties under development (2009: HK$58,872,000) and

(ii) certain of the Group's investment properties with a net book value of approximately HK$504,518,000 (2009: 395,926,000).

13. Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**7,765,002**	5,148,123
Authorised, but not contracted for	**405,268**	94,808
	8,170,270	5,242,931

14. Contingent liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

At 31 December 2010, the Group has given guarantees to a maximum extent of approximately HK$962,473,000 (2009: HK$676,101,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate or up to a maximum of two years after the full repayment of the mortgaged loans by the purchasers of the Group's properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

15. Related party transactions

The Group had the following material transactions with the following related parties during the year:

	Notes	2010 HK$'000	2009 HK$'000
Shum Yip Holdings Company Limited, the immediate holding company:			
Rental expenses paid	*(i)*	**4,978**	4,975
Associates:			
Interest income	*(ii)*	**18,840**	–
A jointly-controlled entity:			
Interest income	*(ii)*	**16,851**	–

Notes:

(i) *The rentals were determined by the directors with reference to the market prices of similar transactions.*

(ii) *The interest income from associates and a jointly-controlled entity was determined by the directors with reference to the market prices of similar transactions.*

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2010, the PRC real estate market was regulated with austerity measures by the government. Facing the complicated market environment, the Group focused its efforts in accelerating property sales, optimizing its inventory assets and strengthening internal control, thereby being able to maintain a sound development momentum.

During the year, the Group achieved a turnover of HK$6,584.6 million, representing an increase of 22% over the same period of last year. Gross profit margin was 37%, representing an increase of 3.5 percentage points over the same period of last year. Net profit attributable to shareholders was HK$1,324.8 million, representing an increase of 34% over the same period of last year. Basic earnings per share was HK37.47 cents, representing an increase of 27% over the same period of last year.

Property development

During the year, the Group recorded 471,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associated companies) and achieved a net revenue in property sales of HK$4,660.7 million (net of business tax), representing an increase of 25% and 27% respectively over the same period of last year. Sales income was mainly derived from selling the entire Times Industrial Park project, Purple Kylin Hill, Red Pine Mansion, New Coast Phase III, Wanlin Lake, Nanhu Rose Bay, Royal Spring Villas, Shum Yip City and other projects.

Annual contracted sales income for the Group amounted to approximately RMB4.3 billion (approximately HK$5.1 billion). By the end of 2010, the amount of sales income contracted but not booked was approximately RMB1.5 billion (approximately HK$1.8 billion).

Property under construction and land reserves

As of 31 December 2010, the Group had 21 property projects under construction, with a total gross floor area of approximately 2.05 million square meters. These projects were progressing smoothly.

During the year, the Group purchased certain parcels of land in Guangzhou, Changzhou, Chengdu and Huizhou respectively. The total site area of newly added parcels of land was approximately 443,000 square meters, planned gross floor area of 1,280,000 square meters, land acquisition costs of approximately RMB3.17 billion and average floor area land premium of approximately RMB2,500 per square meter.

As of the end of December 2010, the Group had a total gross land reserve of 11.12 million square meters (in gross floor area) with attributable gross floor area of 10.24 million square meters (excluding the interests attributable to the Group in its three principal associated companies). Our current land reserves are sufficient to meet the development needs in the next five to six years.

		Gross floor area *(sq. m.)*	**Attributable floor area** *(sq. m.)*	**Percentage of Attributable floor area**
Guangdong	Shenzhen	1,408,684	1,323,163	12.93%
	Huizhou	1,494,895	1,494,895	14.60%
	Foshan	1,743,938	1,743,938	17.04%
	Dongguan	248,429	248,429	2.43%
	Heyuan	1,064,856	1,064,856	10.40%
	Guangzhou	264,653	264,653	2.59%
Hubei	Wuhan	430,627	226,079	2.21%
Hunan	Changsha	1,103,643	998,817	9.76%
Anhui	Maanshan	1,210,000	1,210,000	11.81%
	Chaohu	136,300	109,040	1.07%
Jiangsu	Jiangyan	735,928	735,928	7.19%
	Changzhou	129,432	129,432	1.26%
Sichuan	Chengdu	971,700	514,405	5.03%
Xinjiang	Kashi	172,000	172,000	1.68%
Total		11,115,085	10,235,635	100.00%

Disposal of project

In April 2010, the Group entered into a sale and purchase agreement through its wholly-owned subsidiary to dispose of the 100% equity interest of Huizhou Zhongkai Venture Plaza Development Company Limited (惠州仲愷創業廣場發展有限公司) ("Zhongkai Plaza Company") to an independent third party at a consideration of RMB198 million. "Zhongkai Plaza Company" primarily holds a parcel of land in Huizhou, Guangdong Province for commercial development purposes with a land area of 40,000 square meters. The gain before tax of approximately HK$107 million of such disposal had already been accounted for as profit for the year.

Property investment

During the year, the Group's investment property continued to maintain a steady growth. The total area of our investment properties was approximately 600,000 square meters, with an achieved rental income of HK$390.8 million, representing an increase of 7% over the same period of last year. During the year, the Group recorded a revaluation gain of HK$595.4 million in its investment property portfolio and had already been accounted for as profit for the year.

Performance by associated companies

During the year, results performance of the Group's investments in associated companies was within our expectation. Of which, Shenzhen Tianan Cyberpark Co., Ltd. made a net profit contribution of HK$233.7 million to the Group, representing an increase of 54% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$170.4 million to the Group, representing a decrease of 15% over the same period of last year. Coastal Greenland Limited, another listed company in Hong Kong, made a loss of HK$69.7 million to the Group, represent a decrease of 19% over the same period of last year. The Group had made an impairment provision of HK$307 million for the investment in Coastal Greenland in accordance with the accounting standards.

Business Outlook

Since 2010, the PRC real estate market has experienced an unprecedented stringent control. The government has continuously issued a series of policies in purchase restriction, tightening credit and pilot real estate taxation, etc. At the same time, the government has enhanced the construction of subsidized housing with the objectives of dampening investment speculative demand and increasing housing supply to curb the rising property prices. In 2011, the international economic environment is expected to resume its growth, and the PRC's macro economy is facing such uncertainties like inflation and economic structure adjustment while keeping a stable growth. We believe that the government is definitely clear about its determination and direction of controlling the real estate market. At the beginning of the new year, the government has promulgated the"Eight New Measures of the State Council"（新國八條）, further expanded the implementation scope of purchase restriction on the basis of reiterating various previous policies, and placed emphasis on the accountability system of local governments. In addition, to impede inflation, the monetary policy will shift from a moderately loose monetary policy to a prudent approach with interest rates begin to rise in PRC to tighten up the liquidity. Hence, the real estate industry situation is not promising.

As a first-tier city with the highest market-oriented real estate market in the PRC, Shenzhen is definitely exposed to the controlling effects. With severe shrinkage in transaction volume in 2010, the annual transaction volume of newly constructed housing was only 3.13 million square meters, much lower than the 5-6 million square meters size in a normal year, and the property prices remains at high level. Looking forward to 2011, Shenzhen is still facing a stringent policy environment. However, as Shenzhen still has strong underlying demand and affordability without obvious growth in housing supply, we expect the transaction volume in Shenzhen during the year will experience a slight recovery and prices may fluctuate at high level.

Facing with difficult market environment, the Company will adopt the flexible pricing strategies, continue to enhance property projects sales. The major projects under sale during the year comprising of Shenzhen Purple Kylin Hill, Shenzhen Noble Times（深圳東晟時代）, Foshan Yundonghai, Wuhan Nanhu Rose Bay, Huizhou Garden Hill, Dongguan Euro-view Garden and Jiangsu Taizhou Splendid City. From January to February, the Group completed the contracted sales of 86,306 square meters with realized sales amount of RMB605 million. We are confident to achieve the annual sales target of RMB4.7 billion.

The Group will focus on the acceleration of property development and improvement in turnover during the year. The Group's newly planned construction area in 2011 will reach 2.4 million square meters, almost double than that of last year, and exceeding the scale of the current projects under construction. The increase in development volume will lay a solid foundation for the growth after 2012.

The Group will still focus our land reserve strategies in Shenzhen this year and will acquire land in Shenzhen through various methods like acquisition, application of urban upgrading projects, tender invitation, auction and listing, and co-operation with major shareholders. We will perform under the prudent principles to moderately acquire quality projects under the conditions of securing sufficient cash flow and prices are appropriate.

Shum Yip Holdings, our parent company, owns considerable quality land and properties in Shenzhen city center districts. As the Group is the real estate flagship company under Shum Yip Holdings, therefore, the direction of selecting suitable opportunities and methods to gradually integrate the land and properties held by Shum Yip Holdings into the Group will remain unchanged. We will continue strengthening the relationship with our parent company and pro-actively prepare ourselves for this integration.

The Group will keep on maintaining our financial stability and fund security, actively optimizing inefficient assets, continuously optimizing internal management procedures, improving the examination and incentive mechanism, promoting product quality and brand image, thereby endeavoring to offer the best return for our shareholders.

Financial position

As of 31 December 2010, the Group's cash balance was HK$6,245.5 million (31 December 2009: HK$6,434.2 million), of which approximately 82% and 18% was denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively. While Renminbi is not a freely convertible currency, however, under the Foreign Exchange Control Regulations of the PRC and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC, the Group had been authorized to convert Renminbi into other currencies via authorized banks that can conduct foreign exchange businesses.

On 28 September 2010, the Group successfully entered into a 4-year term commercial bank loan of US$400,000,000 with eight financial institutions (including Bank of China (Hong Kong) Limited) at preferential interest rate lower than market average level.

As at 31 December 2010, the Group's total bank loans amounted to HK$12,789.0 million (31 December 2009: HK$10,966.7 million), of which HK$11,398.6 million were floating-rate loans (31 December 2009: HK$9,735.7 million), and the rest were fixed-rate loans. Of all the loans, long-term loans amounted to HK$3,173.5 million (31 December 2009: HK$7,704.4 million) and short-term loans were HK$9,615.5 million (31 December 2009: HK$3,262.3 million).

As at 31 December 2010, the Group had net assets (after minority interests) of HK$13,474.9 million and the ratio of net debts to net assets (after minority interests) was 48.6% (31 December 2009: 36.6%).

As the Group's main operating cash flow are in Renminbi, while its assets and debts committed are mainly stated in Renminbi and US Dollar respectively. In the short run, exchange rate movements will have positive financial impact to the Group.

Capital structure

As at 31 December 2010, Shum Yip Holdings Company Limited, the parent company of the Group is interested in approximately 43.09% of the Group, and is the largest shareholder of the Group.

On 28 June, a total of 93,862,000 share options were granted by the Group to the executive directors, senior management and employees of the Group at an exercise price of HK$2.39 per share.

On 19 November, 4,016,000 share options were also granted by the Group to a senior management of the Group at an exercise price of HK$2.814 per share.

During the year, a total of 8,733,000 share options granted were exercised. Also during the year, the Group did not repurchase any share of the Group.

As at 31 December 2010, the Group had 3,536,568,090 shares in issue (31 December 2009: 3,527,835,090 shares).

Staff headcount and remuneration

As at 31 December 2010, the Group had a total staff number of 17,802, of which 33 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest were in China.

The Group's staff remuneration is based on individual performance, professional qualifications, industry experience and relevant market trends. The management of the Group reviews regularly its compensation policies as well as the performance of its employees.

Employee benefits include salaries, allowances, medical insurance and mandatory retirement contributions. We also issue bonuses and grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK7.00 cents per share in respect of the year ended 31 December 2010 (2009: final dividend of HK7.00 cents). Together with the interim dividend of HK7.00 cents per share which was paid on 24 September 2010, the total dividend per share for the year will be HK14.00 cents per share (2009: HK12.00 cents per share). Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or before 24 June, 2011 to shareholders whose names appear on the register of members of the Company on 3 June, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 3 June, 2011 to Friday, 10 June, 2011 (both dates inclusive), during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all completed transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 2 June, 2011.

RETIREMENT OF DIRECTORS

In accordance with Article 92 of the Company's Articles of Association, Mr. LIU Chong will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 101 of the Company's Articles of Association, Mr. WONG Po Yan, Mr. LIU Biao and Mr. WU Wai Chung, Michael will retire by rotation and being eligible offer themselves for re-election at the forthcoming annual general meeting.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules ("Code") as its own code on corporate governance practices. During the year, the Company has complied with the code provisions set out in the Code and there have been no material deviations from the Code.

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the 2010 final results and the audited consolidated financial statements for the year ended 31 December 2010.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to all shareholders, the public and employees of the Group for their unfailing support, assistance, service and dedication.

By Order of the Board
GUO Limin
Chairman

Hong Kong, 30 March 2011

As at the date of this announcement, the Board comprises 9 directors, of which Mr. GUO Limin, Mr. XU Ruxin, Mr. MOU Yong and Mr. LIU Chong are the executive directors of the Company, Dr. WU Jiesi and Mr. LIU Biao are the non-executive directors of the Company and Mr. WONG Po Yan, Mr. WU Wai Chung, Michael and Mr. LI Wai Keung are the independent non-executive directors of the Company.