Stock Code 272

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SHUI ON LAND

STEP INTO THE FLOURISHING FUTURE

Shui On Land Limited

Annual Report 2010

Step into the Flourishing Future

Fostering value for its stakeholders, Shui On Land is committed to cultivating a flourishing future by growing its business to reach new heights.

With a focus on excellence in professional management, corporate governance, environmental sustainability and community relationships, Shui On Land is tending to the future of its business with nurturing care – sowing the seeds of healthy, thriving communities through its comprehensive master-planned real estate developments.

Innovative
Property Developer in China

A Pioneer in Customisation to Fulfill Customers' Needs

Shui On Land is one of China's most visionary and innovative property developers. To meet the rapid growth of housing demand and of our customer's changing needs, we are accelerating the completion of our projects while focusing on our core value of innovation by introducing both customisation and standardisation.

The structure of social and family life has undergone significant changes in recent years and the needs and lifestyles of our customers have also changed. To cater to these individual preferences, we have pioneered the customisation of floor plans and materials, allowing customers to choose their own designs. We have also introduced the standardisation of unit sizes and construction materials to meet our accelerated completion targets. These combined strategies have not only helped to enhance the flexibility and functionality of our products, but also to conserve the use of the earth's resources.

In this, as in all our aspects of our business, we remain market leaders.

Contents

Vision

To be the premier and most
innovative property developer in China

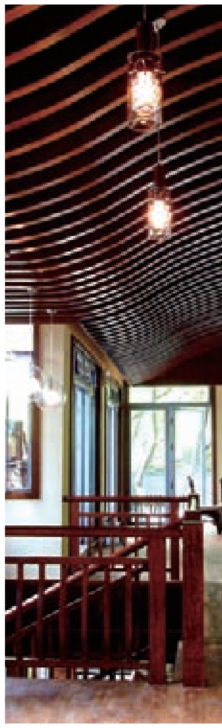
Brand Promise

Innovation • Quality • Excellence

Shui On Spirit

Integrity • Dedication • Innovation • Excellence

We sustain our vision by integrating quality into all of our operations and aspiring to world-class standards of excellence in management, planning, execution and corporate governance.



Our Commitment to

Investors	We are committed to providing attractive and sustainable returns for our investors based on a well-planned, long-term growth trajectory and strategic direction.
Customers	The expectations of our customers are always at the forefront of our thinking and planning, enabling us to provide high quality and add value to all our projects.
Community	We continually look for innovative ways to build and contribute to the community.
Environment	As an experienced and socially responsible property developer, Shui On Land considers respect for the environment to be a key ingredient for the long-term development of the communities in which we are involved.
Employees	Shui On Land believes that care for our employees and for the development of their talents is crucial to the long-term success of the Group.

Flourishing Projects

Despite the challenging economic environment, 2010 was a year of respectable achievement of Shui On Land. Encouraging performance of our projects outside Shanghai with successful execution of Tiandi model in second-tier cities helped to form a solid foundation for our steady growth.

Financial Highlights

Operating Results For the Year Ended 31 December

	2010 HK$'million	2009 HK$'million	2010 RMB'million	2009 RMB'million
Turnover	**5,611**	7,670	**4,879**	6,758
Represented by:				
Property development	**4,753**	6,898	**4,133**	6,078
Property investment	**812**	730	**706**	643
Others	**46**	42	**40**	37
Gross profit	**2,312**	4,005	**2,010**	3,529
Increase in fair value of investment properties	**3,118**	608	**2,711**	536
Share of results of associates	**67**	495	**58**	436
Profit attributable to shareholders	**3,230**	3,034	**2,809**	2,673
Basic earnings per share	**HK$0.63**	HK$0.63	**RMB0.55**	RMB0.55
Dividend per share				
Interim paid	**HK$0.06**	HK$0.01	**HK$0.06**	HK$0.01
Proposed final	**HK$0.05**	HK$0.12	**HK$0.05**	HK$0.12
Full year	**HK$0.11**	HK$0.13	**HK$0.11**	HK$0.13

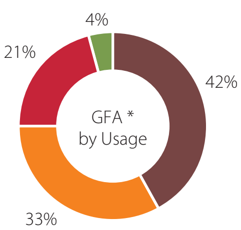
Note:
Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange of RMB1.000 to HK$1.150 for 2010 and RMB1.000 to HK$1.135 for 2009 being the average exchange rates that prevailed during the respective years.

Financial Position As of 31 December

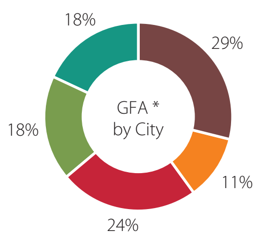
	2010 RMB'million	2009 RMB'million
Total cash and bank balances	**6,790**	4,947
Total assets	**56,253**	42,592
Total equity	**26,028**	22,574
Total debts	**18,245**	10,203
Bank and other borrowings	**13,183**	10,203
Convertible bonds	**2,117**	–
Notes	**2,945**	–
Net gearing ratio*	**44%**	23%

* Calculated on the basis of dividing the sum of bank loans, convertible bonds and notes over the sum of bank balances and cash by total equity.

Landbank As of 31 December 2010



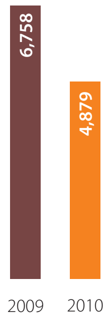
	million sq.m.
Residential	4.8
Office	3.9
Retail	2.4
Hotel/Serviced Apartment	0.5
Total leasable and saleable GFA	11.6
Attributable GFA	8.5



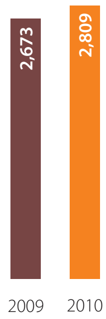
	million sq.m.
Shanghai	2.9
Wuhan	1.3
Chongqing	2.7
Foshan	1.5
Dalian	3.2
Total leasable and saleable GFA	11.6
Attributable GFA	8.5

* Percentages are calculated based on attributable GFA

Turnover
(RMB'million)

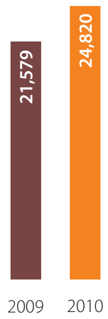


Profit Attributable to Shareholders
(RMB'million)

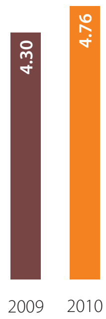


Basic Earnings Per Share
(RMB/share)

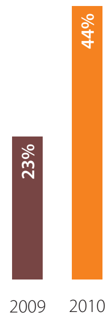
Shareholder's Equity
(RMB'million)



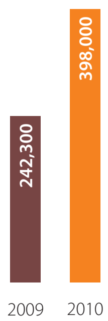
Shareholders' Equity Per Share
(RMB/share)



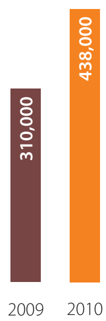
Net Gearing Ratio
(%)



Total GFA Handed Over
(sq.m.)



Investment Property Portfolio – Leasable GFA
(sq.m.)



Rental Income
(RMB'million)

Chairman's Statement

The past year has conveyed challenging and uncertain changes in the global economic environment. Facing varying levels of success in stimulating the US and European markets, the world has turned its eyes to Asia in search of wider economic recovery.

In response, China's powerhouse economy has been rising to the challenge, continuing its strong growth with a 10.3% increase in GDP in 2010 and recalibrating the economic structure by turning more towards domestic consumption.

Addressing concerns of inflation and in an attempt to prevent any possible overheating of the economy, the Chinese Government moved quickly to manage the situation by introducing strict measures to stabilise property prices. Although government tightening initiatives slowed down property transactions and speculation while forcing banks to reign in mortgage lending, China's real estate market remains buoyant; and transaction volumes have returned to substantial levels after a short period of adjustment before yearend. However, in the beginning of 2011, further restrictions on sales and property tax introduced in Shanghai and Chongqing depressed the market once again.

In times such as this, one should not lose sight of the fundamentals. The limited supply of high quality properties in urban areas – combined with unprecedented amounts of available capital together with the high rate of urbanisation – will ensure the continued growth of China's property market for decades to come.

For the year ended 31 December 2010, Shui On Land generated turnover of RMB4,879 million (HKD5,611 million), representing a decrease of 28% compared to 2009. Profit attributable to shareholders was RMB2,809 million or HKD3,230 million (2009: RMB2,673 million or HKD3,034 million). Basic earnings per share were RMB0.55 (HKD0.63), the same as 2009.

A Year of Solid Advancement

2010 was a year of adjustment for the Group in terms of organisation and production. We are progressing on schedule to achieve the goals outlined in our Three-Year Plan, one of the most important of which for the year was to step up production – bringing an increasing volume of new units and new developments to market. Our decentralisation strategy is paying strong dividends. We are now able to flatten our organisation while moving decision-making authority closer to the frontline at the project level.

Sales at our projects were encouraging despite stringent government measures introduced to moderate the pace of the real estate industry. During the year under review we launched sales at our Wuhan project, generating revenue of around RMB850 million. Sales at our Chongqing project generated robust turnover of RMB531 million for the year under review. In addition, the Group completed disposal of Phase II of our Hangzhou project at cost for a total consideration of RMB340 million. The decision to dispose of the Hangzhou project was due to the long delay in relocation and the much increased cost of clearance.

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One of the most important assets for any property developer is its landbank, and we have one of the best landbanks in China.

Vincent H. S. LO
Chairman

> "Due to our increasing size and decentralised management, it is no longer appropriate, nor effective, for me to hold ultimate executive responsibility for the Group."

One of the Group's most exciting achievements this year has been the acquisition of the Hongqiao Transportation Hub site. Upon completion in 2020, the Hongqiao Transportation Hub will be the first of its kind in the world, with estimated daily passenger throughput of over 1.1 million people. This project enjoys strong government support and represents an important strategic acquisition for the Group.

Our Hongqiao Project will provide commercial, retail and leisure facilities leveraging on the traffic and convenience of the Hongqiao Transportation Hub. We will develop a large retail centre, which includes a Xintiandi-styled village offering the latest and most fashionable brands, restaurants and entertainment for discerning customers from Shanghai and neighbouring cities. Our offices will be a platform for the fastest growing domestic and international companies, looking to efficiently reach Mainland and international markets. Our international 5-star hotel will offer unparalleled convenience, comfort and services to all travellers in an urban resort setting with advanced business facilities. In short, our Hongqiao project will be a hub and a showcase where people, companies and brands connect with China and the world.

The Right Strategy at the Right Time

2010 marked the first year of our Three-Year Plan. Despite the challenging global economic environment, the Group has been steadily achieving our stated goals and objectives. We are confident in the strategy and direction; and are on schedule to meeting our goal of constructing 1 million sq.m. of premises by 2012.

At this time, the Group has successfully secured long term funding to facilitate future growth. In the latter part of 2010, we issued a convertible bond and senior notes which raised over RMB5.7 billion from the market – a testament to the Group's reputation and investors' confidence in Shui On Land.

Positive Business Outlook

Long term, the Group remains very bullish on the outlook for China's real estate market. The consistently burgeoning Chinese economy continues to fuel an increasing appetite for superior quality, well maintained and professionally managed premises. There also continues to be a shortage of available land in prime locations – especially in the first-tier and the fast growing second-tier cities the Group has targeted for development where we already have a substantial landbank in prime locations.

Unlike the highly leveraged real estate markets of the West, the gearing ratio of China's property industry remains relatively low. In fact, almost one third of the Group's customers in China had chosen to settle their purchases in cash. According to 2010 figures published by the People's Bank of China, China also has one of the highest savings rates in the world – with total bank deposits of over RMB73.34 trillion. This high level of savings, combined with the current effective negative interest rates, is bringing investors to the real estate market.

Operating in this environment, the Group holds a number of competitive strengths. One of the most important assets for any property developer is its landbank, and we have one of the best landbanks in China. Having examined over one hundred different cities around China, the Group has carefully chosen a number of first-tier and fast-growing second-tier cities for investment, confirming our selections with the help of internationally respected consultants. This decision has paid off wisely as all of our chosen second-tier cities are now developing faster than their first-tier counterparts. If the appropriate opportunities arise, the Group will strongly consider further expansion in our selected first- and second-tier cities.

In addition, the Group works in close partnership with municipal governments – ensuring that our projects have the support of the government and are indeed catering to the needs of local communities. Our "master planned" development projects often combine elements that are necessary for the future growth of local communities.

Evolving to Accelerate Growth

As Shui On Land continues to grow and develop, it is becoming more apparent that my personal involvement in the decision-making process may have become a bottleneck limiting our future development potential. Due to our increasing size and decentralised management, it is no longer appropriate, nor effective, for me to hold ultimate executive responsibility for the Group.

Therefore, with the approval of your Directors and with the support of our senior management team, I am handing over the CEO responsibilities to our Managing Director – Freddy C. K. LEE. This decision will allow me to focus on my position as Chairman of the Board, leading the development of macro direction and strategic policies for the Group. Splitting the roles of Chairman and CEO will also facilitate improved corporate governance.

Appreciation

Firstly, I must congratulate Freddy C. K. 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 deliver better results. I look forward to continuing to leading the Group in creating more value for all our shareholders, and taking Shui On Land to greater success.

Vincent H. S. LO
Chairman

Hong Kong, 16 March 2011

Management Chat Room

Mr. Louis H. W. WONG – Executive Director, Managing Director in Project Management

Pursuing excellent quality with sustainable development concept

We run a very unique business model – the Tiandi Model – across all of our projects located in prime areas of high-growth cities in China. Instead of simply building high-end residential, commercial and retail developments, we are actually creating new communities. Because of this, we pay a lot of attention to environmental protection. Sustainability is one of our key goals.

In choosing strategic partners, we not only focus on their quality of work and expertise, but also place great emphasis on their ability to meet "green" standards. We require all of our strategic suppliers to obtain "China Environmental Labeling", which is recognized by the Ministry of Environmental Protection. In 2010, we obtained the Platinum Award from the Hong Kong Green Council for both green purchasing and green office management.

Corporate social responsibility is one of the company's core values. To this end, we are using the precast concrete construction method to achieve standardisation while simultaneously reducing industrial wastage. Our Knowledge and Innovation Community project in Shanghai has been using this method to a great success. With the commitment of the project teams, our projects have obtained certifications such as the "Leadership in Energy and Environmental Design" (LEED) and "Chinese Green Building Certification".

We have also introduced a few new initiatives. Every two months, our "3rd party quality audit" commissions independent qualified surveying firm to ensure all works and materials used are in line with contract requirements. To strive for continuous improvement, we conduct customer satisfaction surveys to enhance the design, quality of work, usage of materials and property management services. Furthermore, we have introduced e-tendering system to reduce paper usage and enhance operational efficiency. Our continuous quest to strive for excellence is an integral part of our core culture, and is reflected in the quality of our projects and services.

Last but not least, I would like to take this opportunity to show my gratitude towards the company. I have been with Shui On Group for 30 years and have witnessed the growth of Shui On Land. I followed in its footstep and had relocated myself to Shanghai 9 years ago. Working in China brought me the most valuable experience throughout my career. I still remember when we only had two Shanghai projects back then, and now we have expanded our horizon to 6 different cities with well established project teams managing our projects. We obtained the Best Practice Award 2010 on Learning & People Development in recognition of our efforts in providing various training programs and learning opportunities to staff in line with the growth of the company. I am thrilled to have been a teammate in Shui On Land. I wish Shui On Land every success in its endeavors.

" In choosing strategic partners, we not only focus on their quality of work and expertise, but also place great emphasis on their ability to meet "green" standards. "

From left to right:
Mr. Freddy C. K. LEE, Mr. Louis H. W. WONG,
Mr. Vincent H. S. LO, Mr. Daniel Y. K. WAN

Mr. Daniel Y. K. WAN – Executive Director, Managing Director and Chief Financial Officer

Diversifying funding sources for better capital management

My priority as Chief Financial Officer is to safeguard and enhance the group's financial position.

During the year in review, we successfully restructured our debt portfolio by issuing a convertible bond and a RMB notes in the second half of 2010, and a second RMB notes in January 2011.

Bank borrowings will remain a major source of funding going forward, therefore we will continue to maintain productive relationships with mainland and overseas banks. However, given the new monetary tightening measures introduced in China and the rapidly changing global credit environment, we elected to diversify our funding sources so as to meet our growing capital requirements under our Three-Year Plan.

In September, we issued our first ever convertible bond, raising the sum of RMB 2.7 billion. In December, we issued a 3-year, RMB-denominated synthetic bond, settled in USD. This highly innovative product evoked a very positive response, and was 10 times over-subscribed. Riding the success of this issue, in January 2011 we launched a 4-year synthetic bond with the same structure, which was also well received by the market. In total, we raised RMB 9.3 billion from the bond issues, which substantially improved our cash position. Besides diversification in funding sources, these new issues enhanced our investor and lender base.

We have built our business on a solid foundation. But with the ever-changing business environment in Mainland, we decided to sharpen our business management tools so as to counter any potential challenges. Accordingly, over the past year, we made specific improvements and adjustments. They included deploying better cash flow and cost control systems with a view to becoming more responsive to changes within our business parameters. China's central government response to the market can be very swift and strong. The Premier's declared determination to maintain a stable property market must be heeded. The company's newly instituted management tools have better positioned us to combat challenges in the years ahead.

For 2011, we expect a better cash position from property sales under our Three-Year Plan, with maturing projects paving the way for accelerated development. Together with the proceeds of the bond issues, the company is poised to meet our target of delivering a minimum of 1 million sq.m., with effect from the year 2012. Going forward, we will strengthen financial risk management through better control in balancing our assets and liabilities. Our focus is to ensure that the company is fully equipped to be the premier, innovative property developer in China, as we promised.

"The company's newly instituted management tools have better positioned us to combat challenges in the years ahead."

Interview with New CEO

Mr. Freddy C. K. LEE – **Executive Director, Managing Director and Chief Executive Officer**

> My goal is for Shui On Land to become one of China's most innovative and visionary property developers.

Recalling the past, we are consolidating; Looking forward to the future, we are flourishing.

One of the major changes at Shui On Land this year has been your appointment as the new CEO. What are your aspirations as the Group's CEO? What does Shui On Land mean to you?

I have been with this company for more than 25 years, and have always admired our Chairman Mr. Lo, for his vision and the values he created within the company. I will continue to embrace these values in setting our overall direction and future business plans to ensure Shui On Land's continuous performance as the premier, innovative property developer in China.

Since the Group's establishment, people have associated Shui On Land with its CEO and Chairman, Mr. Vincent H.S. Lo. How are you going to deal with this new change – the first time the Group has separated the roles of CEO and Chairman?

I am really looking forward to tackling the challenges and I clearly understand what I am stepping into. The separation of the roles and responsibilities of Chairman and CEO will enhance the Group's overall effectiveness and its corporate governance structure.

What do you hope to accomplish as the Group's new CEO? Can you outline your plans for Shui On Land?

My job is to plan for the future of the Group. My goal is for Shui On Land to become one of China's most innovative and visionary property developers. To this end, I will strive to enhance the Group's efficiency and effectiveness, stimulate new growth, continue our push to be more customer-oriented, build up our own commercial asset management team to manage our rapidly expanding investment properties portfolio, and continue to increase our strategic partnerships - enabling us to accelerate development and tap into the skills and expertise of our resourceful partners. With everyone rowing in the same direction, there is nothing that will stop this company.

I will also focus on simplifying organisational hierarchy by continuing implementation of our Three-Year Plan. Since the plan's inception in mid-2009, we have successfully trimmed down the number of departments from 37 to 14. As a result, we managed to reduce our headcount from 1,400 in 2009 to 1,207 by the end of 2010. We are becoming a project-based organization, with an efficient decision-making process that empowers frontline colleagues with better local market knowledge and expertise – allowing us to better respond to the market in a timely manner. GFA delivery has already exceeded original projection, which we have now updated and added to our 2011 target figures. We are confident of delivering at least 1 million sq.m. of GFA by 2012.

Achievement Highlights

We are progressing on schedule to achieve the goals outlined in our latest Three-Year Plan. Our chosen strategy and direction have all continued to strengthen our performance and our ability to sustain growth. Our continuous efforts in this direction were publicly recognised in a number of awards in 2010.

January

Wuhan Tiandi was awarded "Excellent Foreign Invested Enterprises in Fulfillment of Social Responsibility" by Wuhan Association of Enterprises with Foreign Investment.

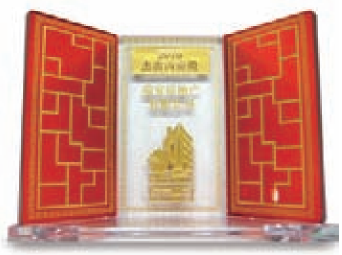
March

Towers 1, 2, 5 and 6 of Rui Hong Xin Cheng Lot 4 achieved AA pre-Evaluation of the Techinical Standard Performance Assessment of Residential Buildings by the Center For Housing Industrialisation of the Ministry of Housing and Urban-Rural Development.

May

The Group obtained "2010 TOP 50 Listed Real Estate Developers in China & 2010 TOP 10 Growth Ability of Listed Real Estate Developers in China" by China Real Estate Appraisal.

June



The Group received "The Outstanding Mainland Property Stock Awards 2010" by Hong Kong Economic Digest magazine.

September

Wuhan Tiandi Lots A1/2/3 registered for BREEAM – "Very Good" Level and adopted Low Carbon Emission Design for Podium. It has become the first project in China to be certified under the BREEAM green building rating scheme.

October

The Group's Annual Report 2009 received eight awards at the international ARC Awards 2010 including "Silver Award for Written Text", "Silver Award for Chairman's Letter", "Silver Award for Overall Annual Report" under Property Category, "Silver Award for Overall Annual Report" under Real Estate Development/Services Category, etc.

KIC Lots 7-7/7-9 achieved AAA Residential Building Performance rating by the Ministry of Housing and Urban-Rural Development of the People's Republic of China.

The Group was awarded "The Most Influential Brand" by Chongqing Real Estate Association.

November

The Group received "Best Practice Awards 2010 – Learning and People Development" presented by Best Practice Management Group.

The Group's Annual Report 2009 won "Honourable Mentions – Citation for Design of the 2010 Best Annual Reports Awards" presented by Hong Kong Management Association.

88 Xintiandi was awarded the highest accolade of "China's Leading Boutique Hotel in 2010" by World Travel Awards.

December

The Group received "Hong Kong Green Awards 2010 - Green Purchaswi$e Award (Platinum Award) and Green Office Management Award (Platinum Award)" organised by Green Council.

Dalian Tiandi was awarded "2010 The Most Cultural Influence of Popular Property in Dalian" by Dalian Real Estate Development Association.

LEED

Several projects achieved LEED pre-Certification by the United States Green Building Council (USGBC) including,

January
KIC Plaza Phase II achieved LEED – Core & Shell pre-Certification Silver rating

March
Chongqing Tiandi Lot B11 Phase I achieved LEED – Core & Shell pre-Certification Gold rating

April
Taipingqiao Lot 126 achieved LEED – Core & Shell pre-Certification Gold rating

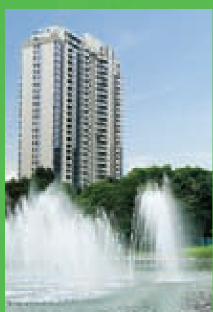
June
KIC Lots 5-5/5-7/5-8 achieved LEED – Core & Shell pre-Certification Gold rating

August
Taipingqiao Lot 127 achieved LEED – Core & Shell pre-Certification Gold rating

September
Dalian Tiandi Site D22 achieved LEED – Core & Shell pre-Certification Gold rating

Flourishing Growth

Shui On Land enjoys a number of competitive strengths in the real estate industry, including one of the best landbanks in China.



Management Discussion and Analysis

With eight projects located in prime locations of five rapidly growing cities, Shui On Land's property portfolio is flourishing in both scale and geographic reach. These professionally managed projects create value for our shareholders while nurturing the development of their local communities.

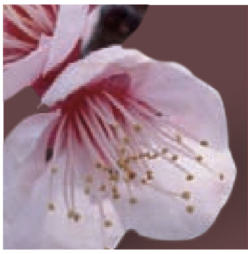
Market Updates and Project Profiles

CHONGQING

In February 2011, the Company disposed Hangzhou Xihu Tiandi Phase 2. 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.

Shanghai

Population:	19.2 million
Real GDP growth:	9.9%
Per Capita GDP:	RMB79,000
Investment in Real Estate:	RMB198.1 billion
Retail Sales:	RMB603.7 billion



Wuhan

Population:	9.1 million
Real GDP growth:	14.7%
Per Capita GDP:	RMB51,000
Investment in Real Estate:	RMB101.7 billion
Retail Sales:	RMB252.3 billion

Chongqing

Population:	28.6 million
Real GDP growth:	17.1%
Per Capita GDP:	RMB23,000
Investment in Real Estate:	RMB162.0 billion
Retail Sales:	RMB287.8 billion

Foshan

Population:	6.0 million
Real GDP growth:	14.3%
Per Capita GDP:	RMB81,000
Investment in Real Estate:	RMB48.6 billion
Retail Sales:	RMB168.7 billion

Dalian

Population:	6.1 million
Real GDP growth:	15.2%
Per Capita GDP:	RMB72,000
Investment in Real Estate:	RMB76.8 billion
Retail Sales:	RMB163.0 billion

Shanghai
Taipingqiao Project

Shanghai City Flower

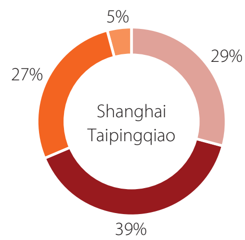
White Magnolia

The White Magnolia bloom always grows upward towards the light, and its hardiness allows it to grow above ground during the cold winter months in northern China. A true representation of the Group's resilient spirit, regardless of external influences.

Site location: The Taipingqiao project is located in the Luwan District, along with one of Shanghai's main commercial streets, Huai Hai Zhong Road. With the opportunity to upgrade the city for EXPO 2010, the 110 year old Huai Hai Zhong Road has been upgraded into a world class Central Business District. Metro Lines no. 1, no. 8 and no. 10 connect the project to other parts of Shanghai, and Metro Line no. 13, which is now under construction, will serve the community soon.

Master plan: The project is a large-scale city-core redevelopment project with an emphasis on the preservation and restoration of historic buildings and the establishment of an integrated community. It blends the chic architecture of "Old Shanghai" with modern features and amenities. The project consists of four main zones: historic restoration zone (Shanghai Xintiandi), corporate headquarters zone (Corporate Avenue), up-market residential zone (Lakeville Regency and Casa Lakeville), and a retail and theatre zone. With its direct connection to Metro Line no. 10, Xintiandi Style – the first shopping mall featuring designer labels – was opened in 2010 and extended Xintiandi further south. The following shows the usage mix of the project as of 31 December 2010 based on our master plan:

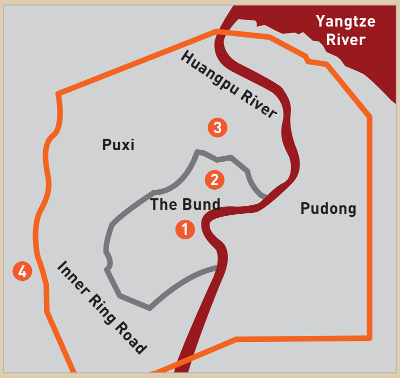
GFA by Usage



	sq.m.
Residential	263,000
Office	360,000
Retail	251,000
Hotel/Serviced Apartment	43,000
Total Leasable and Saleable GFA	917,000

Shanghai

Shanghai, as China's leading commercial and financial centre, is one of the largest economies amongst China's cities and is rapidly moving towards its long-term goal of becoming an international financial, economic, trading and shipping centre by 2020. By the end of 2010, 910 financial institutions and 305 multinational companies had set up their regional headquarters there, and 319 research and development centres of overseas companies had been established in the city. GDP of Shanghai was RMB1.69 trillion in 2010. It has been particularly successful in attracting overseas investment, with USD 11.1 billion of foreign direct investment (FDI) in 2010, representing over 10.5% of total national foreign direct investment.



1. TAIPINGQIAO
2. RUI HONG XIN CHENG
3. KNOWLEDGE AND INNOVATION COMMUNITY (KIC)
4. HONGQIAO TIANDI

Taipingqiao Lake and surroundings

Lakeville Regency

The table below shows the development status of the Shanghai Taipingqiao project as of 31 December 2010, which is subject to variation according to future development plans:

Project	Approximate/Estimated leasable and saleable area Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartment (sq.m.)	Sub-total GFA (sq.m.)	Clubhouse/ carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest
Completed properties								
Xintiandi	–	5,000	47,000	5,000	57,000	12,000	69,000	97.0%
Corporate Avenue	–	76,000	7,000	–	83,000	16,000	99,000	99.0%
The Lakeville and Lakeville Regency	–	–	–	–	–	35,000	35,000	99.0%
Casa Lakeville and Xintiandi Style	7,000	–	27,000	–	34,000	32,000	66,000	99.0%
Subtotal	**7,000**	**81,000**	**81,000**	**5,000**	**174,000**	**95,000**	**269,000**	
Properties under development								
Lot 126	–	50,000	24,000	–	74,000	38,000	112,000	99.0%
Lot 127	–	55,000	28,000	–	83,000	43,000	126,000	99.0%
Lot 116	90,000	–	–	–	90,000	–	90,000	50.0%
Subtotal	**90,000**	**105,000**	**52,000**	**–**	**247,000**	**81,000**	**328,000**	
Properties for future development								
Subtotal	**166,000**	**174,000**	**118,000**	**38,000**	**496,000**	**44,000**	**540,000**	**99.0%**
Total	**263,000**	**360,000**	**251,000**	**43,000**	**917,000**	**220,000**	**1,137,000**	

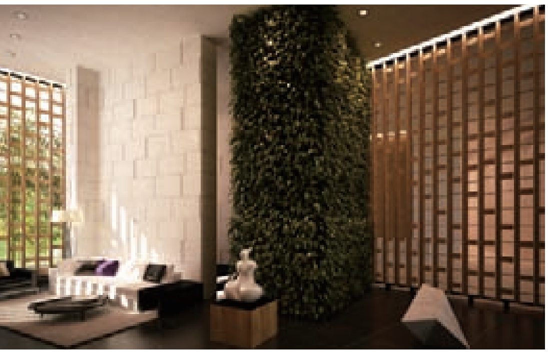
Show flat of The Manor at Casa Lakeville

Luwan District, Shanghai

Luwan District is located at the heart of Shanghai's Central Business District with a well developed transportation network, a vibrant service sector and clusters of multinational companies and financial institutions. There are more than 100 national heritage sites and buildings within the Luwan District, e.g. the First Congress Hall of the Communist Party of China, the former home of Premier Zhou Enlai, and the former home of Dr. Sun Yat-sen.

Shanghai

Rui Hong Xin Cheng

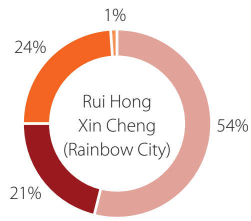


Rui Hong Xin Cheng Lot 4 residential lobby

Site location: The Rui Hong Xin Cheng project is located in Hongkou District, which is adjacent to the North Bund and North Sichuan Road business district. It is served by Metro Lines 4, 8 and 10 with two tunnels, Xinjian Road Tunnel and Dalian Road Tunnel, connecting RHXC to Lujiazui CBD and Pudong commercial district.

Master plan: Rui Hong Xin Cheng is one of SOL's large-scale city-core redevelopment projects in Shanghai. The project used to be a residential community, however, with the new approved master plan, it has become a mixed-use, sustainable development including office, retail, hotel, entertainment, cultural, and residential space. Upon completion, it will be a humongous shopping centre in Northeast Shanghai. The following shows the usage mix of the project as of 31 December 2010 based on our master plan:

GFA by Usage



	sq.m.
Residential	714,000
Office	272,000
Retail	317,000
Hotel/Serviced Apartment	10,000
Total Leasable and Saleable GFA	1,313,000

瑞虹新城
市 中 心 国 际 新 镇

joy 生活 多精彩
市中心国际新镇

瑞虹新城 3
内环内·国际城

瑞虹新城
铭庭

Rui Hong Xin Cheng Lot 4 Roof Garden

Hongkou District, Shanghai

Hongkou District is situated in downtown Shanghai with a long history and profound cultural foundation. It is currently transforming into a modern harmonious district with bustling commerce, lively environment, unique cultural offerings and effective service. The North Bund of Hongkou District is a shipping and logistics services development hub, which hosts more than 3,000 shipping and logistics companies. Shipping service, knowledge service, leisure and entertainment service, and the real estate industry are the main economic driving forces of Hongkou District.

The table below shows the development status of the Shanghai Rui Hong Xin Cheng project as of 31 December 2010, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
Project	Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartment (sq.m.)	Sub-total GFA (sq.m.)	Clubhouse/ carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest
Completed properties								
RHXC Phase 1	–	–	5,000	–	5,000	13,000	18,000	75.0%
RHXC Phase 2	–	–	28,000	–	28,000	21,000	49,000	74.3%
RHXC Phase 3 Lot 8	–	–	2,000	–	2,000	4,000	6,000	74.3%
Subtotal	**–**	**–**	**35,000**	**–**	**35,000**	**38,000**	**73,000**	
Properties under development								
RHXC Phase 4 Lot 4	63,000	–	12,000	–	75,000	31,000	106,000	74.3%
RHXC Phase 5 Lot 6	116,000	–	18,000	–	134,000	48,000	182,000	74.3%
Subtotal	**179,000**	–	**30,000**	–	**209,000**	**79,000**	**288,000**	
Properties for future development[1]								
Subtotal	**535,000**	**272,000**	**252,000**	**10,000**	**1,069,000**	**12,000**	**1,081,000**	**74.3%[2]**
Total	**714,000**	**272,000**	**317,000**	**10,000**	**1,313,000**	**129,000**	**1,442,000**	

1 The GFA figures of properties for future development are stated in accordance with the new master plan approved in January 2011.
2 The Group has a 75.0% interest in Lot 167A and Lot 167B and 74.3% interest in the remaining Lots.

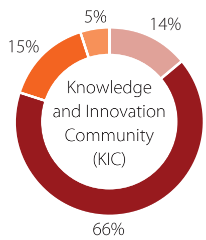
Shanghai
Knowledge and Innovation Community

KIC Auditorium

Site location: The Knowledge and Innovation Community project is located in the immediate vicinity of major universities and colleges in the Yangpu district, northeast of downtown Shanghai. The project is well connected to the city centre by the public transportation network including the Middle-Ring Highway, over 30 public transportation routes and Metro Lines 3, 8 and 10.

Master plan: The project is designed to be a multi-functional community for people to live, work, learn and play with a healthy and sustainable lifestyle. We therefore, through the project, intend to transform Yangpu from an industrial and manufacturing zone into a knowledge and innovation centre by drawing on the readily available educational and human resources in the vicinity, and by creating an environment that we believe will foster innovation, commercialization, technology development, cultural activities, research and business incubation, growth and development. The following shows the usage mix of the project as of 31 December 2010 based on our master plan:

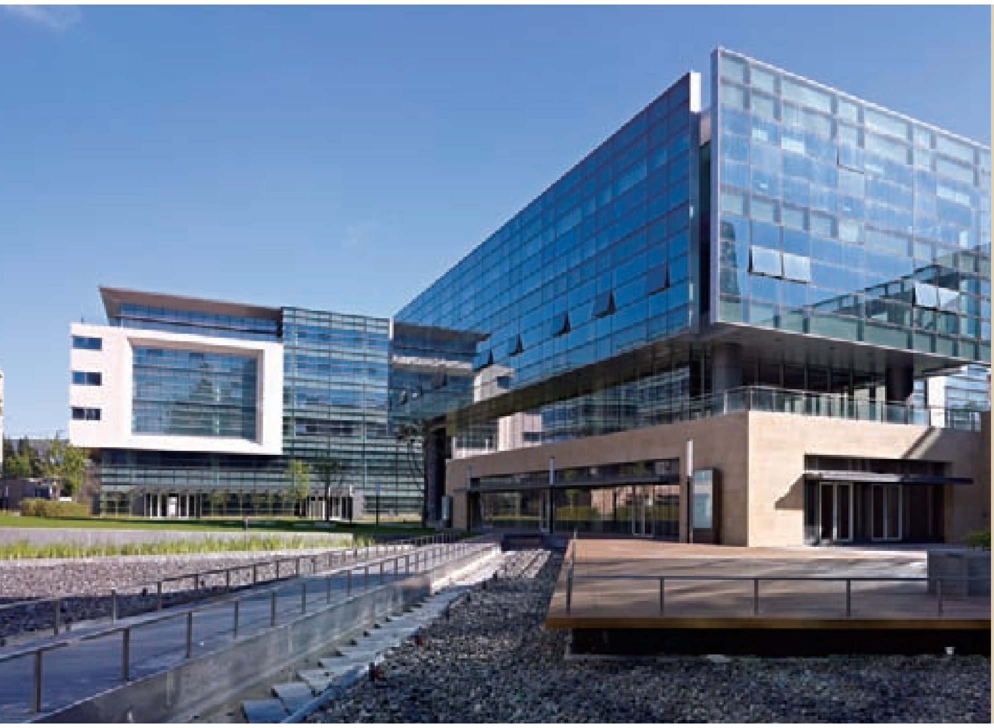
GFA by Usage



	sq.m.
Residential	48,000
Office	228,000
Retail	53,000
Hotel/Serviced Apartment	18,000
Total Leasable and Saleable GFA	347,000

创智天地 KNOWLEDGE & INNOVATION COMMUNITY

创智坊 KIC VILLAGE



KIC Plaza Phase II

Yangpu District, Shanghai

Yangpu District is located in northeast downtown Shanghai, adjacent to the Hongkou District. The centre of the district, the Wujiaochang – KIC – Jiangwanxincheng area, has been designated by the Shanghai Municipal Government as one of the city's four urban sub-centres. Yangpu has now transformed into a knowledge industry and support services hub to complement Shanghai's overall development strategy of becoming the added-value service centre of China. The district is also home to 14 universities and colleges – including Fudan University, Tongji University and Shanghai University of Finance and Economics – 22 key state laboratories and 65 scientific research institutes, which give Yangpu an unparalleled competitive advantage in becoming the intellectual hub of Shanghai.

The table below shows the development status of the Shanghai Knowledge and Innovation Community project as of 31 December 2010, which is subject to variation according to future development plans:

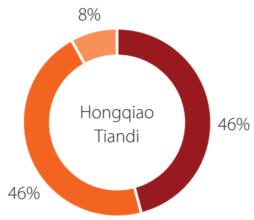
Project	Approximate/Estimated leasable and saleable area				Sub-total GFA (sq.m.)	Clubhouse/ carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest
	Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartment (sq.m.)				
Completed properties								
KIC Village R1	–	8,000	7,000	–	15,000	12,000	27,000	86.8%
KIC Village R2 (Lots 7-9, 8-2)	–	9,000	3,000	–	12,000	8,000	20,000	86.8%
KIC Village R2 (Lot 7-7)	–	8,000	1,000	–	9,000	22,000	31,000	86.8%
KIC Plaza Phase 1	–	29,000	21,000	–	50,000	24,000	74,000	86.8%
KIC Plaza Phase 2	–	39,000	10,000	–	49,000	30,000	79,000	86.8%
Subtotal	**–**	**93,000**	**42,000**	**–**	**135,000**	**96,000**	**231,000**	
Properties under development								
C2 (Lots 5-5, 5-7, 5-8)	–	42,000	11,000	–	53,000	28,000	81,000	86.8%
Subtotal	**–**	**42,000**	**11,000**	**–**	**53,000**	**28,000**	**81,000**	
Properties for future development								
Subtotal	**48,000**	**93,000**	**–**	**18,000**	**159,000**	**–**	**159,000**	**99.0%**
Total	**48,000**	**228,000**	**53,000**	**18,000**	**347,000**	**124,000**	**471,000**	

Shanghai
Hongqiao Tiandi

Site Location: The Hongqiao Tiandi project is located in the heart of the Hongqiao Commercial Core Area. It is the only site that is directly connected to the Hongqiao Transportation Hub.

Master plan: The Hongqiao Transportation Hub consists of the Shanghai High Speed Rail terminal, Terminal 2 of the Shanghai Hongqiao International Airport, five underground Metro lines and the future Maglev terminal. The Hongqiao Tiandi project comprises a large retail component, offices and a hotel with an estimated leasable GFA of 278,000 sq.m. Once completed, the development will become the heart and soul of Shanghai's newest CBD, and a place where companies and brands can physically connect with the rest of China and the World. The following shows the usage mix of the project as of 31 December 2010 based on our master plan:

GFA by Usage



	sq.m.
Office	127,000
Retail	128,000
Hotel/Serviced Apartment	23,000
Total Leasable and Saleable GFA	278,000

The table below shows the development status of the Shanghai Hongqiao Tiandi project as of 31 December 2010, which is subject to variation according to future development plans:

Project	Approximate/Estimated leasable and saleable area Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartment (sq.m.)	Sub-total GFA (sq.m.)	Clubhouse/ carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest
Properties for future development								
Hongqiao Tiandi	**–**	**127,000**	**128,000**	**23,000**	**278,000**	**95,000**	**373,000**	**100.0%**
Total	**–**	**127,000**	**128,000**	**23,000**	**278,000**	**95,000**	**373,000**	

Greater Hongqiao Area, Shanghai

The Greater Hongqiao area is one of the four key economic drivers for Shanghai's 12th-Five Year Plan (2011 – 2015), along with the other 3 drivers: the EXPO area, Greater Pudong Area and Disneyland. The planned area is 3 times larger than Pudong Lujiazui Financial Zone, with an aim to balance the development of western and eastern portions of Shanghai, and to release the traffic burden of the core city area. It is also known as Shanghai's "West Gate," as it acts as a gateway – through its comprehensive transportation networks – for people and companies to enter China. At the same time, it also is a gateway for companies and people looking to reach Shanghai and the World.

Master-plan of Hongqiao Tiandi

Wuhan

Wuhan Tiandi

Wuhan City Flower

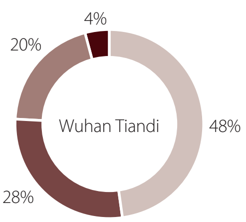
Plum Blossoms

For centuries, Plum Blossoms have been depicted in Chinese poetry as a symbol of perseverance, signifying the strength of the Group's property developments against adversity.

Site location: The Wuhan Tiandi project is located in the city centre of Hankou district. It is located on the Yangtze River front with an unrivalled view of the splendid Yangtze River and scenic Jiangtan Park. In December 2008, the Municipal Government formally approved the planning of a "Riverside Business Zone", which includes the Wuhan Tiandi project. The Riverside Business Zone is designed to be one of the city's financial and business centres, and also an innovation hub and a cultural destination.

Master plan: Wuhan Tiandi is a large-scale mixed-use redevelopment comprising two major sites. Site A is mainly office towers, retail/F&B and entertainment facilities, and some residential blocks. Site B is mainly for residential use, office buildings, and a commercial centre. The total site area is 61 hectares. Upon completion, the total leasable and saleable area will be 1.4million square meter. By preserving local historical architecture while injecting new commercial value, the project has become a landmark in Wuhan. The following shows the usage mix of the project as of 31 December 2010 based on our master plan:

GFA by Usage



	sq.m.
Residential	604,000
Office	345,000
Retail	250,000
Hotel/Serviced Apartment	50,000
Total Leasable and Saleable GFA	1,249,000

Wuhan

Wuhan is the capital city of Hubei Province and is located at the junction of the Yangtze and Han Rivers. Many major cities in China are located within an 800 km radius of Wuhan. According to the approved Urban Planning of the city by the central government on 8th March 2010, Wuhan's position was upgraded to the Central City of central China. Wuhan has developed into a major commercial and manufacturing centre in China, especially for the automobile, iron and steel, and hi-tech industries. The city's East Lake High-Tech Development Zone was approved as the second National Innovation Model Park after Zhongguancun, Beijing.

In line with the national policy of developing Central China the central government in December 2007 approved Wuhan City Circle as one of the China's Experimental Zones like Shanghai Pudong, Tianjin New Zone, Chengdu and Chongqing; and the government plans to build a "resource-saving and environment-friendly society" at Wuhan. To cater for the city's development, it also has a very ambitious high-speed railway plan. Wuhan is designated to be central China's most important transportation hub and logistic centre, and is also one of the country's 4 railway hubs. The Wuguang high-speed railway has been in operation since 2009 and the Jingwu railway line will be completed in 2011. By 2012 this railway network will bring Guangzhou, Shanghai, Beijing and Chengdu within 4 hours of travel time. Furthermore, Wuhan will be one of China's 6 major airport hubs. The city is building a second airport in the East Lake High-Tech Development Zone under the Twelfth Five-year Plan.

Wuhan had a permanent population of nearly 10 million in 2010 and serves a regional market in the hinterland of about 372 million people.

1 WUHAN TIANDI

Night view at Wuhan Tiandi

The table below shows the development status of the Wuhan Tiandi project as of 31 December 2010, which is subject to variation according to future development plans:

Project	Approximate/Estimated leasable and saleable area Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartment (sq.m.)	Sub-total GFA (sq.m.)	Clubhouse/ carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest
Completed properties								
Wuhan Tiandi (Lots A4-1/2/3)	–	–	46,000	–	46,000	25,000	71,000	75.0%
The Riverview (Lots A6, A7)	3,000	–	1,000	–	4,000	2,000	6,000	75.0%
Subtotal	**3,000**	**–**	**47,000**	**–**	**50,000**	**27,000**	**77,000**	
Properties under development								
Lot A5	–	57,000	2,000	–	59,000	24,000	83,000	75.0%
Lots A1/A2/A3 – Retail Podium	–	–	109,000	–	109,000	–	109,000	75.0%
Residential Phase 3 (Lots A11/A12)	51,000	–	–	–	51,000	22,000	73,000	75.0%
Residential Phase 4 (Lot B9)	72,000	–	–	–	72,000	–	72,000	75.0%
Residential Phase 4 (Lot B11)	54,000	–	–	–	54,000	–	54,000	75.0%
Subtotal	**177,000**	**57,000**	**111,000**	**–**	**345,000**	**46,000**	**391,000**	
Properties for future development								
Subtotal	**424,000**	**288,000**	**92,000**	**50,000**	**854,000**	**40,000**	**894,000**	**75.0%**
Total	**604,000**	**345,000**	**250,000**	**50,000**	**1,249,000**	**113,000**	**1,362,000**	

Show flat of The Riverview Phase II

Show flat of The Riverview Phase II


View of The Riverview

Chongqing
Chongqing Tiandi

Chongqing City Flower

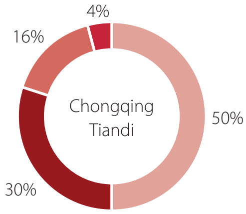
Camellia

Poetry dating back to the Song Dynasty praised the endurance and resilience of the Camellia, gracing the garden at the end of winter with colours of red and yellow. Just as Shui On Land works calmly to overcome adversity and achieves outstanding results in all projects.

Site location: The Chongqing Tiandi project is located in Yuzhong district, the traditional central business district of Chongqing.

Master plan: This is an urban redevelopment project. The master plan of the project includes a man-made lake with pavilions and a promenade along the waterfront, a commercial core comprising of Grade A office buildings, exhibition and conference facilities, luxurious hotels, retail and entertainment outlets. Residential clusters on the hillside were designed to replicate Chongqing's traditional hill-town characteristics and offer scenic views of the lake and river. This project is to be developed with the goal of establishing a service hub to support Chongqing's extensive modern industrial and agricultural sectors. The following shows the usage mix of the project as of 31 December 2010 based on our master plan:

GFA by Usage



	sq.m.
Residential	1,341,000
Office	803,000
Retail	417,000
Hotel/Serviced Apartment	103,000
Total Leasable and Saleable GFA	2,664,000

Chongqing

Chongqing is strategically located to the east of Sichuan Province in the Sanxia (or The Three Gorges Dam) upstream of the Yangtze River. It is the only municipality in Western China (the other three being Beijing, Shanghai and Tianjin). Chongqing's status as the pre-eminent regional economic centre of Western China was cemented when it was designated as one of China's five national central cities recently promulgated by the Ministry of Housing and Urban-Rural Development (MOHURD) in 2010.

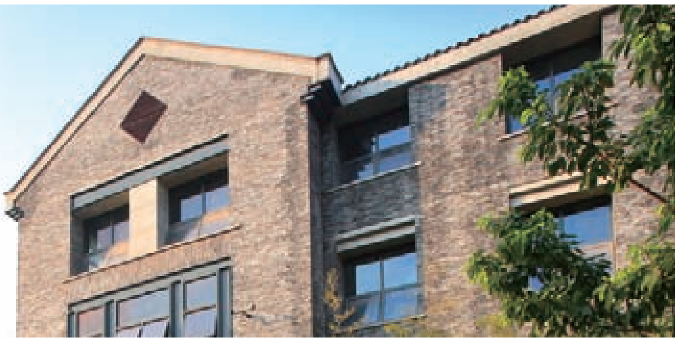
Continuous heavy infrastructure projects connecting the western region to Chongqing, and Chongqing to the rest of China, have enabled Chongqing to play a dominant role as the catalyst for western growth. As of 2010, the Three Gorges Dam is operational and enables ocean-going vessels to reach Chongqing's Yangtze River port. The Chongqing-Shanghai Expressway linking Chongqing, Chengdu, Wuhan, Nanjing and Shanghai has been completed and is open to traffic. In addition, a total of ten expressways and seven proposed light railway lines are targeted for completion by 2015.

In 2010, Chongqing had a GDP of RMB 790 billion and FDI of USD 6.4 billion, approximately 6.1% of total national foreign direct investment. It is one of the world's largest cities with a population of 28.6 million. Combined with its neighbouring five provinces, it covers a regional market with a population in its hinterland of 300 million people.

1 CHONGQING TIANDI

Main Building of Chongqing Tiandi

Shops of Chongqing Tiandi



Low Village of Chongqing Tiandi

Swimming pool of The Riviera I

Show flat with exquisite decoration

The table below shows the development status of the Chongqing Tiandi project as of 31 December 2010, which is subject to variation according to future development plans:

Project	Approximate/Estimated leasable and saleable area Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartment (sq.m.)	Sub-total GFA (sq.m.)	Clubhouse/ carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest
Completed properties								
Thre Riviera Phase 1 (Lot B1-1/01)	10,000	–	2,000	–	12,000	19,000	31,000	79.4%
Thre Riviera Phase 2 Stage 1 (Lot B2-1/01)	8,000	–	–	–	8,000	–	8,000	79.4%
Chongqing Tiandi (Lot B3/01)	–	–	49,000	–	49,000	25,000	74,000	79.4%
Subtotal	**18,000**	**–**	**51,000**	**–**	**69,000**	**44,000**	**113,000**	
Properties under development								
The Riviera Phase 2 Remaining (Lot B2-1/01)	155,000	–	7,000	–	162,000	59,000	221,000	79.4%
Residential Phase 3 (Lot B19/01)	117,000	–	4,000	–	121,000	36,000	157,000	79.4%
Residential Phase 4 (Lot B20-5/01)	92,000	–	2,000	–	94,000	22,000	116,000	79.4%
Residential Phase 5 (Lot B18/02)	179,000	–	6,000	–	185,000	46,000	231,000	79.4%
Super High Rise (Lot B11-1/02)	–	375,000	117,000	25,000	517,000	169,000	686,000	59.5%
Lot B12-1/02	–	99,000	3,000	–	102,000	32,000	134,000	79.4%
Lot B12-3/02	–	78,000	35,000	–	113,000	28,000	141,000	79.4%
Lot B12-4/02	–	74,000	18,000	–	92,000	28,000	120,000	79.4%
Lot B13-1/02	–	112,000	49,000	–	161,000	39,000	200,000	79.4%
Lot B13-2/02	–	40,000	34,000	–	74,000	18,000	92,000	79.4%
Subtotal	**543,000**	**778,000**	**275,000**	**25,000**	**1,621,000**	**477,000**	**2,098,000**	
Properties for future development								
Subtotal	**780,000**	**25,000**	**91,000**	**78,000**	**974,000**	**218,000**	**1,192,000**	**79.4%**
Total	**1,341,000**	**803,000**	**417,000**	**103,000**	**2,664,000**	**739,000**	**3,403,000**	

Dancing with the sharks – Premuim Club

Foshan

Foshan Lingnan Tiandi

Foshan City Flower

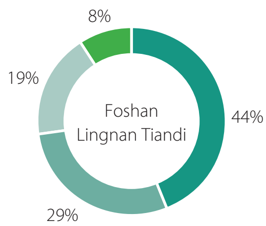
Michelia

The delicately scented white michelia blossoms set against lush green leaves are the embodiment of elegance and purity, reflecting the Group's professional and pragmatic approach towards corporate governance.

Site Location: The Foshan Lingnan Tiandi project is well-positioned in the old town centre of central Chancheng District, Foshan's traditional downtown area and public transportation hub. Two subway stations of the Guangzhou – Foshan line connect to the project site.

Master Plan: The project is a large-scale urban redevelopment project. The master plan includes office, retail, hotel, cultural facilities and residential complexes in an integrated community, similar to that of Shanghai Taipingqiao. The centrepiece of Foshan's cultural heritage is Zumiao, an immaculately preserved 900-year-old Taoism temple. This and another well-known historic area, the Donghuali, are both located within the project. The Foshan government's plan is to upgrade the area into a business and commercial zone, focusing on business, culture, and tourism. The following shows the usage mix of the project as of 31 December 2010 based on our master plan:

GFA by Usage



	sq.m.
Residential	683,000
Office	450,000
Retail	284,000
Hotel/Serviced Apartment	125,000
Total Leasable and Saleable GFA	1,542,000

Foshan Lingnan Tiandi

The Regency

Foshan

Foshan is a thriving city within the Pearl River Delta, possessing economic dynamism along with rich historical and cultural heritage. Foshan is advantageously located within the Pearl River Delta Economic zone, and is 28 km southwest from the city centre of Guangzhou. The city is the third largest economy in the Pearl River Delta, after Guangzhou and Shenzhen.

Foshan has a strong manufacturing base and has assumed a leading national position in a number of industries, including ceramics, home appliances, electronics, furniture, aluminum and stainless steel. Foshan has extensive transportation infrastructure plans that will dramatically enhance its accessibility to the downtown area of Guangzhou and enable the city to become part of the greater Guangzhou area. The Guangzhou-Foshan subway commenced operation in November 2010 and shortened the travelling time to Guangzhou to 15-20 minutes. The Hong Kong – Guangzhou Intercity Express Train is also scheduled for completion in 2014, providing a seamless connection between Hong Kong and Foshan with about 80 minutes travel time.

1 FOSHAN LINGNAN TIANDI

The table below shows the development status of the Foshan Lingnan Tiandi project as of 31 December 2010, which is subject to variation according to future development plans:

Project	Approximate/Estimated leasable and saleable area Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartment (sq.m.)	Sub-total GFA (sq.m.)	Clubhouse/ carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest
Properties under development								
Residential Phase 1 (Lot 4)	42,000	–	–	–	42,000	18,000	60,000	100.0%
Residential Phase 1 (Lot 14)	14,000	–	–	–	14,000	12,000	26,000	100.0%
Lingnan Tiandi Stage 1 (Lot 1-1)	–	–	23,000	–	23,000	1,000	24,000	100.0%
Lingnan Tiandi Stage 2 (Lot 1-2)	–	–	29,000	8,000	37,000	3,000	40,000	100.0%
Lot D+G	–	–	17,000	37,000	54,000	25,000	79,000	100.0%
Residential Phase 2 (Lot 5)	49,000	–	1,000	–	50,000	19,000	69,000	100.0%
Residential Phase 2 (Lot 15)	17,000	–	1,000	–	18,000	15,000	33,000	100.0%
Lot E1	–	–	54,000	–	54,000	19,000	73,000	100.0%
Lot E2	16,000	–	16,000	–	32,000	6,000	38,000	100.0%
Lot Eos	–	–	6,000	–	6,000	7,000	13,000	100.0%
Subtotal	**138,000**	**–**	**147,000**	**45,000**	**330,000**	**125,000**	**455,000**	
Properties for future development								
Subtotal	**545,000**	**450,000**	**137,000**	**80,000**	**1,212,000**	**38,000**	**1,250,000**	**100.0%**
Total	**683,000**	**450,000**	**284,000**	**125,000**	**1,542,000**	**163,000**	**1,705,000**	

Dalian
Dalian Tiandi

Dalian City Flower

China Rose

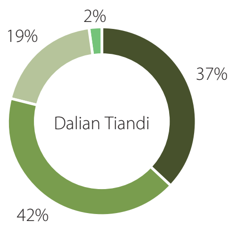
Known as the "Queen of Flowers", the China Rose is lightly scented, elegant in form, and available in various hybrids of multiple colours. It symbolises the same versatility the Group displays in adopting integrated project strategies that provide all-rounded services to meet different market needs.

大连天地
DALIAN TIANDI

Site location: Dalian Tiandi is an integrated mixed-use development set in the scenic city of Dalian, located in China's northeast Liaoning Province.

Master plan: The Dalian Tiandi concept provides a green, highly modern, trendsetting way of living designed to attract intellectuals from the IT industry. Situated at the midpoint of the South Lushun Road Software Industry Belt, Dalian Tiandi extends across a 12.5 kilometer range. It features a total gross floor area of 3.3 million square meters, and is envisioned as a superb new urban centre. The full Dalian Tiandi development, launched in 2007, is set to achieve build-out in year 2020, when the community's residential population is estimated to reach 300,000. The following shows the usage mix of the project as of 31 December 2010 based on our master plan:

GFA by Usage



	sq.m.
Residential	1,183,000
Office	1,332,000
Retail	605,000
Hotel/Serviced Apartment	82,000
Total Leasable and Saleable GFA	3,202,000

The table below shows the development status of the Dalian Tiandi project as of 31 December 2010, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
Project	Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartment (sq.m.)	Sub-total GFA (sq.m.)	Clubhouse/ carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest
Completed properties								
Lot D22 – Software Office	–	42,000	–	–	42,000	14,000	56,000	48.0%
Subtotal	**–**	**42,000**	**–**	**–**	**42,000**	**14,000**	**56,000**	
Properties under development								
Huangnichuan North								
Lots D14/E29/E06	104,000	49,000	–	–	153,000	76,000	229,000	48.0%
Lot B02	–	114,000	–	–	114,000	3,000	117,000	48.0%
Lot C10	40,000	–	–	–	40,000	8,000	48,000	48.0%
Lot D10	–	–	37,000	40,000	77,000	17,000	94,000	48.0%
other lots	348,000	84,000	–	–	432,000	–	432,000	48.0%
Hekou Bay								
The first stage development	260,000	164,000	208,000	–	632,000	–	632,000	48.0%
Subtotal	**752,000**	**411,000**	**245,000**	**40,000**	**1,448,000**	**104,000**	**1,552,000**	
Properties for future development[1]								
Subtotal	**431,000**	**879,000**	**360,000**	**42,000**	**1,712,000**	**–**	**1,712,000**	**48.0%**
Total	**1,183,000**	**1,332,000**	**605,000**	**82,000**	**3,202,000**	**118,000**	**3,320,000**	

1 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.

Dalian

Dalian is located at the southern tip of Eastern Liaoning Peninsula and serves as a gateway to Beijing, Tianjin and the Bohai-Bay Economic Rim. It is an important communication hub in Northern China and a major transportation centre for Northeast Asia due to its strategic geographical location. The city has a proven track record in developing information technology outsourcing ("ITO") and business process outsourcing ("BPO") industries, and with central government support it is steadily migrating towards a high value-added IT industry development model. Dalian recorded annual GDP growth of 15.2 % in 2010 and is leading Liaoning Province in terms of property investment and living standard. The city has realized 66.7% growth in FDI and an all-round uplift in both infrastructure and public spending, raising it to become a truly international city.

1 HEKOU BAY
2 VALLEY SITE
3 HUANGNICHUAN NORTH
4 HUANGNICHUAN SOUTH
5 NANHAITOU
6 RESORT HOTEL SITE

Tiandi Software Hub, the software office of Dalian Tiandi

Flourishing Opportunities

Shui On Land remains very bullish on our outlook for China's real estate market. China's constantly growing economy is fuelling increasing appetite for superior quality, well maintained and professionally managed premises.




Business Review

Properties handed over increased by 64% to 398,000 sq.m.

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, 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. gross floor area ("GFA"), comprising 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. property sales were handed over 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.

Shanghai Taipingqiao Redevelopment Project

Property Sales

Recognised Property Sales

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

	2010			2009			
Project	Sales revenue RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	Sales revenue RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	ASP Growth Rate %
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.

Contract 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:

	2010			2009			
Project	Contracted amount RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	Contracted amount RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	ASP Growth Rate %
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.


Shanghai Xintiandi


The club house of Lakeville Regency in Shanghai

"In every stage of our project development and operation – from land acquisition, planning, design, construction, sales to customer service – we are driven and encouraged to think out of the box, to explore new ideas and methods to maximize the land value, and to execute project development with the district and regional context in mind."

Mr. Charles Chan
Director – Projects, Shanghai KIC and Dalian Tiandi

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 sales contributions.

	Shui On Land			City Average[2]				
Project	2010 Contracted ASP RMB per sq.m.	2009 Contracted ASP RMB per sq.m.	ASP Growth Rate %	2010 City Centre ASP RMB per sq.m.	2009 City Centre ASP RMB per sq.m.	ASP Growth Rate %	10-year GDP Growth Rate %	2009 GDP per Capita 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 apartments in the downtown area in Shanghai, we plan to sell the remaining units 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 reaching 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.

"Central to the Group's urban renewal concept is the effective utilization of valuable land resources in central urban areas, the improvement of the urban environment and economic competitiveness, and the balance of conservation aspirations with development needs. Witnessing the glamourous cultural relics being restored in the Lingnan Tiandi project, my team and I were overwhelmed with pride and enthusiasm."

Mr. Alex Wong
General Manager – Projects, Foshan Lingnan Tiandi

Jian's Villa at Foshan Lingnan Tiandi

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.

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

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 GFA in sq.m.	Group's interest
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.

Apartment show flat of Greenville, Dalian Tiandi's residential property

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.

“I don’t work at Shui On – I grew up here!

I joined Shui On more than 25 years ago when I graduated from university. Starting as a Graduate Engineer, I have since held 16 different positions covering different aspects of construction and property development. My career with Shui On has taken me from Hong Kong to Shanghai and now Chongqing. I enjoy frequently facing new challenges, but not simply repeating what I have done before.”

Mr. Tang Ka Wah
Project Director – Chongqing Tiandi

"Shui On is a caring family, offering abundant support and various opportunities for career growth. Her innovative development model gives young executives more chances to explore different facets of real estate development.

Shui On is a responsible company. Not only committed to its shareholders, partners and employees, but Shui On is also making positive contributions to society to earn mutual respect."

Ms. Jessica Wang
Deputy Project Director – Rui Hong Xin Cheng

Show flat of The Manor at Casa Lakeville

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

Project	Leasable GFA (sq.m.)				Occupancy rate			Group's interest
	Office	Retail	Serviced apartments	Total	31 December 2010	31 December 2009	31 December 2008	
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.

Courtyard of The Riverview at Wuhan Tiandi

Valuable Investment Property Portfolio Provides Alternative Funding Resource

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 accounted 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 at based on valuation carried out by an independent qualified professional valuer.

> Shui On Land consistently implements its "Sustainable Development Strategy" across all its projects. By undertaking this commitment, we create value for society while enhancing the reputation of our projects and our company. For anyone involved in the real estate business, a brilliant project like this is a dream job. I and my project team are always proud of Wuhan Tiandi and the value we have created for both the company and Wuhan City.

Mr. Matthew Guo
Deputy Project Director – Wuhan Tiandi

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 RMB' million	Carrying value as of 31 December 2010 RMB' million	Carrying value per GFA RMB per sq.m.	Group's interest %
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 sq.m.	2012 sq.m	Total sq.m.	Group's interest %
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 sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Subtotal sq.m.	Clubhouse, carpark and other facilities sq.m.	Total sq.m.	Group's interest %
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.

"Our Hongqiao Tiandi is strategically located next to the Hongqiao Transportation Hub in Shanghai. With Shui On Land's track record of developing commercial real estate landmarks in key Chinese cities, we will create a place that connects people and products within China and around the World."

Mr. Bryan Chan
Director – Projects, Hongqiao Tiandi

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 of 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 remaining units are 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 its 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 towers, are expected to be commenced 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 at a Glance

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 to 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 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 yet handed over.

View of Wuhan Tiandi

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:

	Approximate/Estimated leasable and saleable GFA							
Project	Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartments (sq.m.)	Subtotal (sq.m.)	Clubhouse, carpark and other facilities (sq.m.)	Total (sq.m.)	Group's interest %
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.

Financial Review

Profit attributable to shareholders increased to RMB 2,809 million.

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, *increase 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 entitled "Investment Properties" in the Business Review Section.

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.


The Riverview Phase II at Wuhan Tiandi

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: RMB2,673 million).

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

	Year ended 31 December		
	2010 RMB'million	2009 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) RMB'million	Due within one year RMB'million	Due in more than one year but not exceeding two years RMB'million	Due in more than two years but not exceeding five years RMB'million	Due in more than five years 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 amounting 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.

High Village of Chongqing Tiandi

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 will 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 will 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.

Market Outlook

We are cautiously optimistic about the prospects of the housing market and we shall expedite the pace of development to meet our growth target.

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


The Riviera II at Chongqing Tiandi

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.

Corporate Governance Report

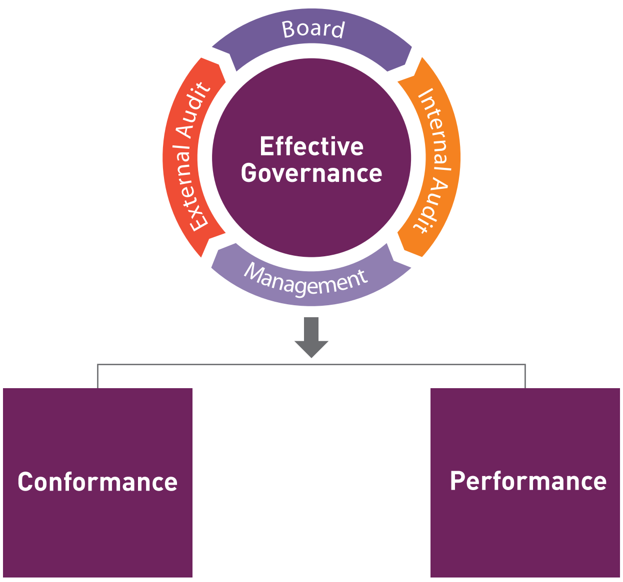
The Board of Directors (the "Board") of the Company is pleased to present the Corporate Governance Report for the year ended 31 December 2010.

The Company is committed to enhancing its corporate governance practices appropriately to the conduct and growth of its business, and to pursue a right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with the Code on Corporate Governance Practices and are aligned with the latest developments. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholders' value, and stakeholders' confidence in the Company.

In reflection of this, the Company was proud to receive a number of awards from various organisations for high standards of corporate governance and investor relations for the financial year ended 31 December 2010. These awards are listed in the "Awards Received" section of this report.

Overlook of Wuhan Tiandi

Shui On Land Corporate Governance Framework



The Company pursues a right balance between conformance and performance in its corporate governance.

Corporate Governance Practices of the Company

The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of the various procedures and documentation, which are detailed in this report. The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2010, except for certain deviations as specified with considered reasons explained below.

Board of Directors

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performances. The Board has reserved for its decision or consideration matters concerning principally the Company's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointments or re-appointments, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the daily operations and administration of the Company to the management. The respective functions of the Board and management of the Company have been formalised and set out in a written document. The Board will review this document once a year. In addition, the Board has established board respective committees and has delegated to these board committees various responsibilities set out in their terms of reference.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. In addition, a written procedure has been established to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Board has the full support of the Chief Executive Officer, Managing Directors and the senior management in discharging its responsibilities.

Board Composition

The Directors of the Company during the year and up to the date of this report are set out in the "Directors" section of the Directors' Report on pages 98 to 111. 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 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.

The current Board of the Company comprises the following Directors:

Executive Directors:
Mr. Vincent H. S. LO (Chairman of the Board, member of Remuneration Committee, and Chairman of Nomination and Finance Committees)
Mr. Freddy C. K. LEE (Managing Director & Chief Executive Officer, and member of Finance Committee)
Mr. Daniel Y. K. WAN (Managing Director & Chief Financial Officer, and member of Finance Committee)
Non-executive Director:
The Honourable LEUNG Chun Ying
Independent Non-executive Directors (INEDs):
Sir John R. H. BOND (Member of Nomination and Finance Committees)
Dr. Edgar W. K. CHENG (Member of Audit Committee)
Dr. William K. L. FUNG (Chairman of Remuneration Committee, and member of Finance Committee)
Professor Gary C. BIDDLE (Chairman of Audit Committee, and member of Remuneration, Nomination and Finance Committees)
Dr. Roger L. McCARTHY (Member of Audit Committee)
Mr. David J. SHAW

The brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 92 to 97.

Currently, the Company has six INEDs representing more than half of the Board. Three of the six INEDs have the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. None of the members of the Board is related to another.

All Directors, including the Non-executive Director and INEDs, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board to ensure its efficient and effective functioning. INEDs are invited to serve on the Audit, Remuneration, Nomination and Finance Committees of the Company. Their active participation in Board and committee meetings brings independent judgment to bear on issues relating to the Company's strategy, performance and management processes, taking into account the interests of all shareholders.

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs.

Each of the Non-executive Directors of the Company is appointed for a specific term of three years and shall be subject to retirement by rotation once every three years.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first annual general meeting after their appointment and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Training, Induction and Continuing Development for Directors

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

Board and Board Committees Meetings

Number of Meetings and Directors 'Attendance

The Company held four full board meetings in the year 2010 and has already set a schedule for its regular board meetings and committee meetings in the year 2011 in order to comply with the CG Code.

The attendance records of each Director at the board meetings are set out below:

Name of Directors	Attendance/Number of Meeting(s) Held during Tenure
Mr. Vincent H. S. LO (Chairman)	4/4
Mr. Louis H. W. WONG (Retired with effect from 16 March 2011)	4/4
Mr. Daniel Y. K. WAN	4/4
Mr. Freddy C. K. LEE (Appointed with effect from 28 June 2010)	1/1
Sir John R. H. BOND	4/4
The Honourable LEUNG Chun Ying	3/4
Dr. Edgar W. K. CHENG	4/4
Dr. William K. L. FUNG	3/4
Professor Gary C. BIDDLE	4/4
Dr. Roger L. McCARTHY	4/4
Mr. David J. SHAW	3/4

Practice and Conduct of Meetings

All Directors are given an opportunity to include matters in the agenda for regular board meetings. Annual meeting schedules and the draft agenda of each meeting are made available to Directors in advance. Board and committee meetings are scheduled at least one year in advance to facilitate the maximum attendance of Directors.

Notices of regular board meetings are served to all Directors at least 14 days before the meetings. For other board and committee meetings, reasonable notice is generally given. Board papers together with appropriate, complete and reliable information are sent to all Directors at least three days before each board meeting or committee meeting to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular board meetings and when necessary, other board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current board practice, any material transaction that involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened board meeting. The interested Directors shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual.

Mr. Vincent H. S. LO, who is the founder of the Company, was both the Chairman and CEO of the Company up to 16 March 2011. 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. Vincent H. S. LO in the business development efforts of the Company. This vesting provided strong and consistent market leadership and was critical for the 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.

On 16 March 2011, the Chairman and all the Directors, unanimously agreed that it is now the appropriate time to separate the responsibilities and the roles of Chairman and CEO of the Company to enhance effectiveness of the Company's corporate governance structure. Mr. Freddy C. K. LEE is then appointed as CEO of the Company with effect from that date, while Mr. LO remains as the Chairman of the Company with effect from the same date.

With the support of the Company Secretary and the senior management, the Chairman was responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefings on issues arising at the board meetings, and that all key and appropriate issues were discussed by the Board in a similarly timely manner.

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 throughout the year ended 31 December 2010.

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

During the year ended 31 December 2010, the Board has four established committees, namely, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Finance Committee, for overseeing particular aspects of the Company's affairs.

The four board committees of the Company are established with defined written terms of reference, approved by the Board, which set out the Committees' major duties. The terms of reference of the board committees are posted on the Company's website and are available to shareholders.

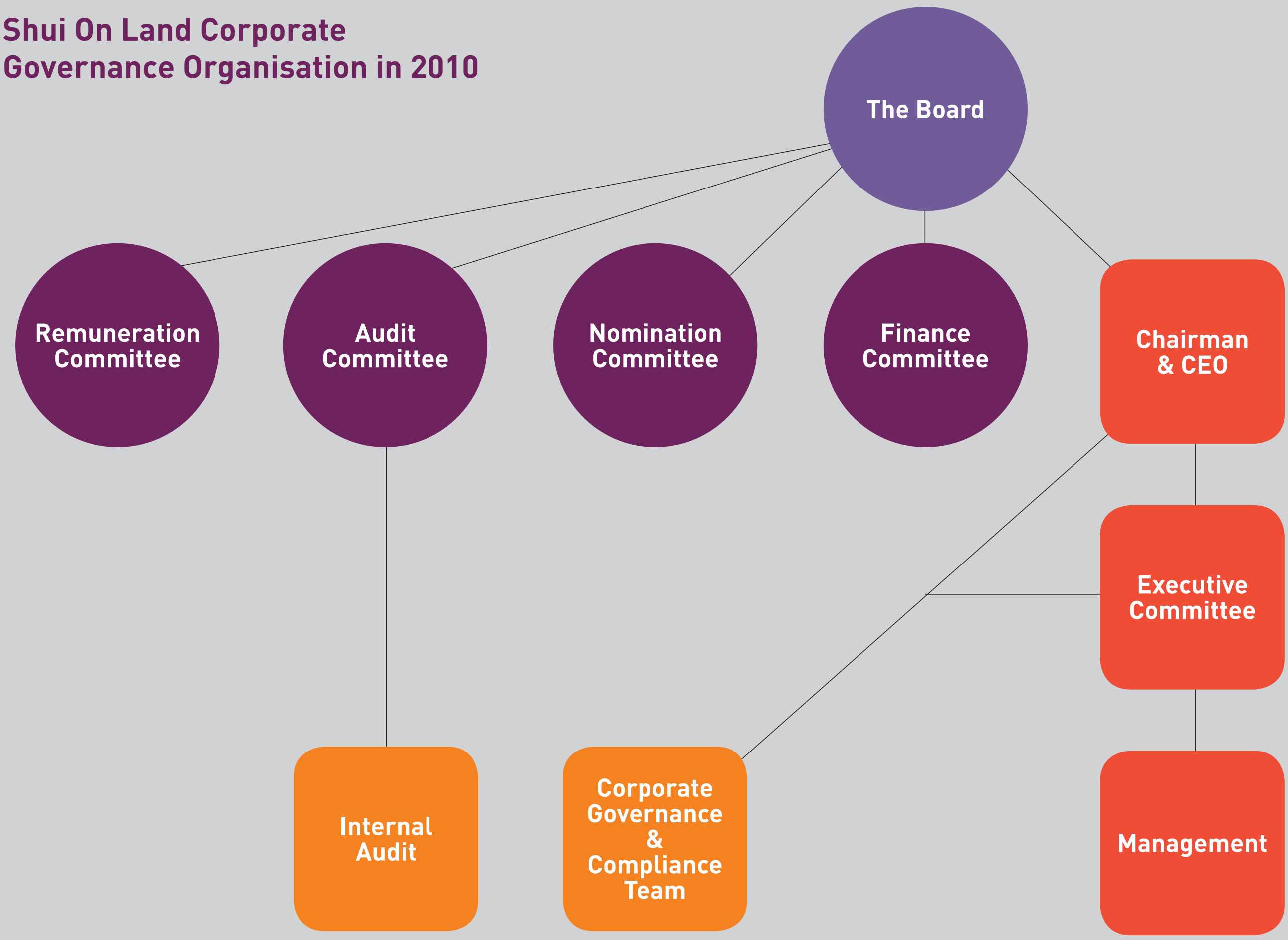
Except for the Finance Committee, the majority of the members of each board committee are INEDs. The list of the chairman and members of each board committee is set out under "Corporate Information" on page 182.

The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Remuneration Committee

The Remuneration Committee consists of three members, namely Dr. William K. L. FUNG, Mr. Vincent H. S. LO and Professor Gary C. BIDDLE. Dr. William

Shui On Land Corporate Governance Organisation in 2010



K. L. FUNG and Professor Gary C. BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. William K. L. FUNG.

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

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and CEO of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee normally meets for reviewing the remuneration policy and structure and for determination of the annual remuneration packages of the Executive Directors and the senior management and other related matters.

The Remuneration Committee had passed two sets of written resolutions in lieu of meetings during the year ended 31 December 2010.

The Committee reviewed the share options scheme for staff, Directors and advisers as well as the 2009 bonus to Executive Directors, senior management and staff. In addition, it reviewed the remuneration policy and resolved to revise the mid point of the salary ranges to align with the market.

Details of the remuneration of the Directors for the year ended 31 December 2010 are set out in note 10 to the financial statements.

Audit Committee

The Audit Committee consists of three members, namely Professor Gary C. BIDDLE, Dr. Edgar W. K. CHENG and Dr. Roger L. McCARTHY. All of them are INEDs. The chairman of the Audit Committee is Professor Gary C. BIDDLE.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial controls system, internal controls system and risk management system and associated procedures.

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.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Audit Committee has the same view as the Board regarding the selection, appointment, resignation or dismissal of external auditors.

Two meetings were held by the Audit Committee during the year ended 31 December 2010 and these meetings were attended by all three members.

The Audit Committee reviewed the risk assessment conducted by the internal auditors on the Audit Committee Meetings and made summary reports to the Board. The Committee reviewed and commented on all draft announcements and circulars required under the Stock Exchange's rules before their formal issuance.

Audit Committee members visit our projects to keep abreast of the project development

Finance Committee (From left to right): Mr. Louis H. W. WONG, Professor Gary C. BIDDLE, Dr. William K. L. FUNG, Mr. Vincent H. S. LO (Chairman), Sir John R. H. BOND, Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN

Nomination Committee

The Nomination Committee currently comprises three members, Mr. Vincent H. S. LO, Sir John R.H. BOND and Professor Gary C. BIDDLE. Sir John R.H. BOND and Professor Gary C. BIDDLE are INEDs. The Chairman of the Nomination Committee is Mr. Vincent H. S. 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.

No meeting was held by the Nomination Committee during the year ended 31 December 2010.

Finance Committee

The primary functions of the Finance Committee are to stipulate and monitor the financial strategies, policies and guidelines of the Group. At present, the Finance Committee comprises six members, Mr. Vincent H. S. LO, Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Mr. Daniel Y. K. WAN and Mr. Freddy C. K. LEE (appointed with effect from 19 August 2010). Sir John R. H. BOND, Dr. William K. L. FUNG and Professor Gary C. BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. Vincent H. S. LO.

Four meetings were held by the Finance Committee during the year ended 31 December 2010, and the attendance records are set out as below:

Name of Committee Members	Attendance/Number of Meeting(s) Held during Tenure
Mr. Vincent H. S. LO (Chairman)	4/4
Sir John R. H. BOND	3/4
Dr. William K. L. FUNG	4/4
Professor Gary C. BIDDLE	4/4
Mr. Louis H. W. WONG (Retired with effect from 16 March 2011)	4/4
Mr. Daniel Y. K. WAN	4/4
Mr. Freddy C. K. LEE (Appointed with effect from 19 August 2010)	1/1

Risk Assessment/ Management

Strategic Planning

In order to make more timely decisions and focused moves, the management of the Company under the leadership of the Chairman and CEO, has formulated a Three-Year Strategic Plan (the "Three-Year Plan") in the third quarter of 2009.

During the year ended 31 December 2010, strategic action plans were developed, executed, implemented and monitored by relevant executives and management to achieve these medium-term goals and objectives. The Three-Year Plan expedites the development of the Company especially in turning the Company into a more project-driven and decentralised organisation.

Resources Planning and Cost Control

During the year ended 31 December 2010, the Company's main focus on resources planning is the raising of funds through various means to expedite completion for the maturing projects as well as taking up new opportunities. This has been done successfully and ensuring the Company to thrive on the chaotic market situation and withstand the economic turbulence period.

The Cost Control Taskforce, which is chaired by the Managing Director – Project Management, and comprises relevant executives of the Company, continues to focus on managing costs in the short and long run, enhancement of the cost consciousness culture and behaviour of the Company, and reviewing and monitoring the Company's expenditure.

Enterprise Risk Management

Risk assessments are conducted semi-annually by the Internal Audit Department and presented to the Company's Executive Committee ("EXCOM") and the Audit Committee for review. The Company is implementing its continuous and integrated risk assessment and management framework. This enterprise risk management framework includes the introduction of Control and Risk Self-Assessment Process to the Company as an important step. This process enables the Company to change its risk assessment and management process from a punctuated one to a continuous one; to take both a "top down" and "bottom up" approach; and to promote management's participation in, ownership of and accountability towards their relevant risk assessment and management processes.

The Audit Committee has required management to present a report on risk assessment/management at every Audit Committee meeting.

Internal Control

Internal audit and management conduct reviews of the effectiveness of the Company's system of internal controls, including those of its subsidiaries and major associates. The Audit Committee reviews the summary report of the internal auditors on the effectiveness of the Company's system of internal controls and reports to the Board on such summary results.

The Company is also in the course of updating its detailed internal control documentation and evaluation system in order to cope with the ongoing organisational changes. This comprises an Internal Control System (INCOS) documentation of the Company's financial and operational processes together with their key controls and weaknesses, and a Grid Rating System that scores the effectiveness of the key controls implemented.

Internal Audit

During the year, the Chief Internal Auditor of the Internal Audit Department reports to the Chairman and CEO, and has full and free access to the Audit Committee. The internal audit charter allows the internal auditors to have unrestricted access to all functions, records, property and personnel while maintaining appropriate confidentiality in performing their work.

The department helps the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Internal Audit Department operates in a partnership relationship with management, preparing semi-annual audit plans based on a risk assessment methodology and upon agreement with the Company's EXCOM and the Audit Committee.

The Internal Audit Department issues reports to the Chairman and CEO and relevant management covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit Committee together with the status of implementation of their recommendations in each Audit Committee meeting.

Anti-fraud Measures

An Irregularities Reporting System (a whistle-blowing system) was installed for reporting on violations of the Company's Code of Conduct and Business Ethics as well as complaints about integrity related matters from staff, vendors, customers, and business partners. Telephone hotlines and special e-mail and mail boxes were set up to enable any such complaints to reach the Chairman of the Audit Committee or the Secretary of the Ethics Committee. At each Audit Committee meeting, a summary report of the complaints received and their follow up results are to be tabled for review.

On 25 February 2011, the Ethics Committee further issued an Irregularity Report Policy. This whistle-blowing policy was established in accordance with one of the latest proposals of the Stock Exchange to tighten corporate governance. This policy clarifies the Company's treatments and procedures on handling potential violations reported, but at the same time tries to avoid abuse by disgruntled employees or ex-employees. It was reviewed and adopted by the Audit Committee on 11 March 2011.

An Incident Reporting Procedure was formulated to enable the systematic, timely and uniform reporting of incidents such as potential fraud to the Chief Financial Officer by personnel involved in internal control activities related to financial and/or automated information systems.

An Anti-fraud Assessment Framework was used to facilitate the annual assessment of risks on potential frauds by individual projects and departments. The results were examined and appropriate control measures were established to mitigate those risks. The annual results are to be summarised and presented to the Audit Committee for review.

Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The Board is responsible for overseeing the preparation of financial statements of the Company and reviewing the same to ensure that such financial statements give a true and fair view of the state of affairs of the Company and that relevant statutory requirements and applicable accounting standards are complied with.

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company that is put to the Board for approval.

The statement of the external auditors of the Company about their reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on pages 112.

External Auditors and Auditors' Remuneration

The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2010 is set out as follows:

Services rendered for the Company	Fee paid/payable (HK$ 'M)
Audit services:	5.6
Non-audit services:	4.6
Total:	10.2

Communications with Shareholders and Investors/Investor Relations

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. The goal of our communication activities is to provide a true and fair view of the Company.

The Company leverages various channels and platforms including its annual and interim results announcement, press conferences and analyst briefings, and various industry conferences to ensure the timely release of important messages. Started in 2010, an electronic investors' newsletter is published quarterly to provide more timely and relevant information pertaining to the Company's business development including all its projects. In 2010, a number of "Investors and Analysts Day" were held in Shanghai, Wuhan, Chongqing and Foshan to further enhance investors' understanding of the Company's project development progresses as well as the market sentiments of these respective cities. In addition, investors and analysts are also frequently invited to the Company's special marketing and promotional events to be updated with the same.

These initiatives are all well accepted by the investment community.

The Company's website is regularly being updated with corporate developments. Key events regarding financial results, business developments and operations are also announced on a timely basis to investors through our corporate website, www.shuionland.com. Upon free subscription, alert emails on the Company's public announcements, press releases and investors' newsletters will be sent automatically to registered shareholders and investors. Application forms of requests for site visit and management meeting, and contact persons of the investor relations team can also be found on the Company's website.

To maintain and improve the visibility of the Company in the financial community, the Company held numerous road shows and participated in investor conferences during the year. The management and the investor relations team met hundreds of investors personally, discussed the Company as well as its development and strategies in conference calls and video meetings.

Major Investor Relations Events in 2010/2011

2010	Event
April	Announcement of the 2009 annual results • Press conference • Analyst briefing 2009 annual results global road shows Hong Kong, Singapore, the United States Nomura Chongqing Conference, Chongqing Macquarie Bank Property Conference, Hong Kong Citigroup Asia Pacific Conference, Singapore
May	UBS Best of Asia New York Conference, New York/London BOCI – QDII Investor Day, Shanghai Morgan Stanley Conference, Hong Kong CLSA China Forum, Shanghai
June	Nomura Conference, Singapore JP Morgan China Forum, Beijing Daiwa Tokyo NDR, Tokyo Credit Suisse Conference, Shanghai
August	Announcement of the 2010 interim results • Press conference • Analyst briefing 2010 interim results global road shows, Hong Kong, Singapore, London
September	UBS Property Corporate Day, Hong Kong KGI Hong Kong Listed Company Investors Forum, Taipei CLSA HK Forum, Hong Kong Investors and Analysts Day, Foshan
October	Investors and Analysts Day, Shanghai
November	Goldman Sachs China Conference, Beijing Exane Singapore CB Investors Conference, Singapore Bank of America Merrill Lynch China, Beijing Morgan Stanley Asia Pacific Summit, Singapore KBC Asia Convertible Bond Conference, Hong Kong Samsung Conference, Guangzhou Investors and Analysts Day, Wuhan and Foshan

2011	Event
January	DB Access China Conference 2011, Beijing DBS Vickers Pulse of Asia Conference, Singapore Nomura China Property Corporate Day, Hong Kong UBS Greater China Conference, Shanghai

The general meetings of the Company provide the best opportunity for exchange of views between the Board and the shareholders. The Chairman of the Board as well as Chairmen of the Audit, Remuneration, Nomination and Finance Committees or, in their absence, other members of the respective committees and, where applicable, the independent board committee, are available to answer questions at the shareholders' meetings. The chairman of the independent board committee is also available to answer questions at any general meeting about approval of a connected transaction or any other transaction that is subject to independent shareholders' approval.

To enhance communications with shareholders in the Company's annual general meetings, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Most of the Directors were present at the Annual General Meeting held on 27 May 2010 and the meeting provided a useful forum to exchange views with the Board.

To further enhance and provide more direct communications with the Company's shareholders, a "Networking with Shareholders" session was conducted immediately after the Annual General Meeting. During the session, shareholders were provided with a chance to discuss matters with senior management of the Company in a face to face dialogue. Previous sessions were well attended by shareholders. The meetings included discussion of the latest business initiatives and long-term development strategy of the Company as well as answering shareholders' questions.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner.

Shareholder Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of an individual Director.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association.

Poll results are made available by way of an announcement, which is published in accordance with the Listing Rules as soon as possible.

Awards Received

With respect to the financial year ended 31 December 2010, the Company received several awards related to corporate governance, communications with shareholders and investors, and investor relations. These are shown in the table on this page.

Corporate Governance Enhancement

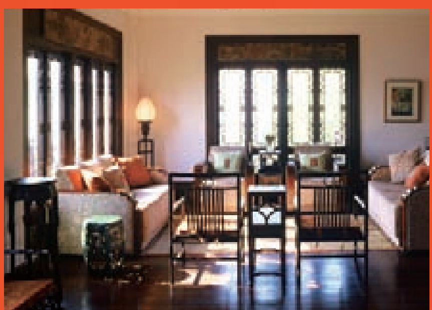
Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We are committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, integrity, accountability, sustainable development and independence. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders to promote our transparency are naturally welcome.

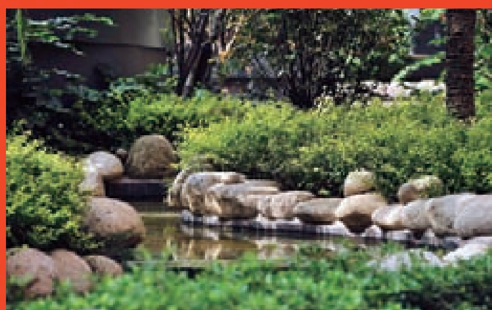
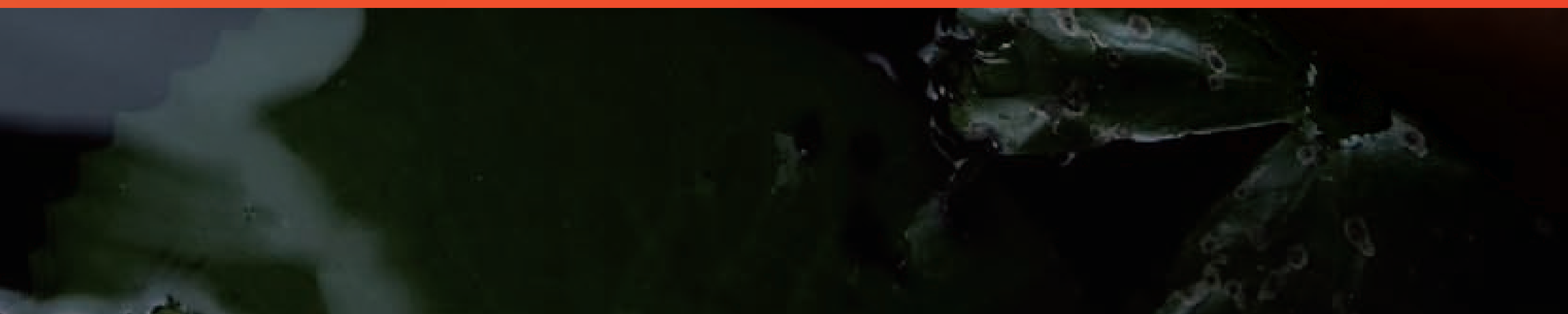
List of Awards to Shui On Land

Time of Award	Name of Award	Presented/Organised by
Corporate Governance Related		
2010	2010 TOP10 Growth Ability of Listed Real Estate Developers in China	China Real Estate Appraisal
2010	2010 TOP50 Listed Real Estate Developers in China	China Real Estate Appraisal
2010	Outstanding Mainland Property Stock Awards 2010	"Hong Kong Economic Digest" Magazine
Communications with Shareholders and Investors/Investor Relations Related		
2010	Bronze Award (Cover Photo/Design – Property Category)	ARC Awards 2010
2010	Silver Award (Overall Annual Report – Property Category)	ARC Awards 2010
2010	Honours (Written Text – Real Estate Development/Services Category)	ARC Awards 2010
2010	Honours (Interior Design – Real Estate Development/Services Category)	ARC Awards 2010
2010	Silver Award (Overall Annual Report – Real Estate Development/Services Category)	ARC Awards 2010
2010	Bronze Award (Chairman's Letter – Real Estate Development/Services Category)	ARC Awards 2010
2010	Silver Award (Chairman's Letter – Property Category)	ARC Awards 2010
2010	Silver Award (Written Text – Property Category)	ARC Awards 2010
2010	Best Annual Reports Awards 2010 – Citation for Design	Hong Kong Management Association
2011	2010 Best Investor Relations	"Corporate Governance Asia" Magazine

Flourishing Communities

With a strong focus on corporate social responsibility, Shui On Land is deeply committed to the communities where we operate. Our contributions to society form the cornerstone of our sustainable business growth.

Corporate Social Responsibilities

Shui On Land is a socially responsible and customer-centric company. Our projects and planning are based on corporate social responsibility (CSR) principles. By providing premium services and products, we are committed to building sustainable communities, creating a comfortable living environment for our customers and tenants.

Community Development

We aim to build a better future together with the communities in which we are involved, knowing that an outstanding enterprise must not only benefit the economy but also help raise people's living standards, enhance communities and strengthen cities' competitiveness. We take an active role in designing and implementing a variety of programmes that focus on improving the well-being of communities, with the firm belief that the healthy development of our cities will benefit the Group in return.

Building Harmony Together: the Community's Caring Company

During the year, the Group responded actively to support "Greening the Yangtze River – Chongqing Action", a major public benefit campaign jointly initiated by the National Afforestation Committee, the State Forestry Administration, China Green Foundation and the Chongqing Municipal Government, donating RMB5 million to support afforestation efforts along the Yangtze River. The aim of the campaign was to help restore and protect the ecological environment of the Yangtze River Basin and the Three Gorges Reservoir Area (TGRA).

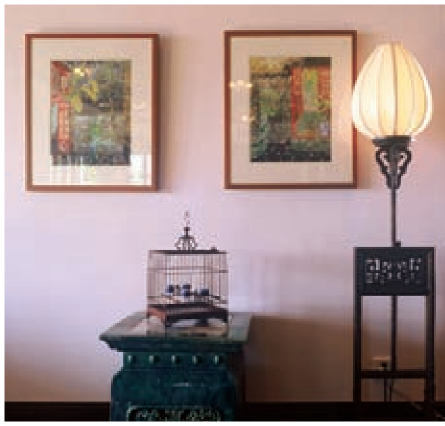
On 14 April 2010, an earthquake measuring 7.1 on the Richter scale struck Yushu, Gansu Province, resulting in thousands killed and tremendous economic loss. Shui On Land immediately donated RMB1 million to the disaster area through the Shanghai Charity Foundation. The Group was among the first enterprises to contribute to the relief fund.

To help build a society where all can live in harmony, caring for the underprivileged in society has long been on the Group's philanthropic agenda.

Concerned about educational conditions in the remote regions of China, the Group's Rui Hong Xin Cheng (Rainbow City) project contributed RMB500,000 in August 2010 to reconstruct the school building of Xiangpingshan Elementary School located in Xichou, Yunnan Province – providing a better educational environment for over 80 teachers and students of the school.

In recent years, the Group's Wuhan Tiandi project launched a series of thematic activities that aimed to create, using a variety of ways, a healthy and safe environment for construction workers. In particular, the free annual medical consultations that the Group began to provide in 2006, received enthusiastic response from migrant workers at the construction sites. In 2010, around 200 construction workers received free medical consultations. The Group also provided medicine and a health tips brochure to each migrant construction worker who attended the consultation. In addition, to enhance migrant workers' social lives, the Group held outdoor film screenings, Mid-Autumn night celebrations and other events.

The signing ceremony between Chongqing Tiandi and Renhe Street Elementary School



I Love China, Celebration of National Day, Wuhan Xintiandi

Yong Jin Lou at Xihu Tiandi in Hangzhou

Since 2008, employees of the Wuhan Tiandi project have collaborated with Children of Madaifu, an international non-profit organisation established to aid orphans, abandoned children and homeless children in China. The employees pay quarterly visits to children in the orphanage's care, bringing supplies like stationery and schoolbags, and holding walkathons and other activities to raise funds for the orphans' tuition and living expenses. Currently, the Group provides targeted assistance to 18 children.

During the year, employees of the Wuhan Tiandi project, along with the Consul General of the United States of America in Wuhan, visited single elderly people without family support living at the Qiaokou District Social Welfare Home, and presented them with a colour television and 60 sets of daily necessities.

Employees of the Dalian Tiandi project paid another visit to impoverished children living in Dalian's Children Village during the year, bringing books and clothing donated by their colleagues – as well as a water heater to make life more convenient for the children. Most of the village's children are orphans, children abandoned at birth or children of prisoners.

Building Global Connections and Grooming New Talent

It is our belief that the experience and vision of more developed societies around the world can help China scale new heights in terms of its development and achievements. The Group actively supports the government to take note of views and opinions from all over the world in order to help steer development towards sustainability. The China Development Forum 2010 sponsored by the Group during the year provided an important platform for senior politicians and economists within China to discuss issues and exchange opinions with the heads of various overseas enterprises, senior officials of international organisations and renowned scholars. Likewise, the Group sponsored the 2010 Cooperation and Development Forum of Shanghai and Hong Kong Associations. The event provided a platform for over 150 government officials from Shanghai and Hong Kong, experts in academia and the media to meet and discuss ways to foster exchanges and cooperation between the two regions, in order to promote common economic development.

Recognising that talent is an important foundation for society's economic development, we dedicate much effort to the grooming of young talent and encouraging their originality and creativity, in the view that such assets are essential to society's development in the long run.

In 2010, the Group donated RMB5 million to the Fudan Premium Fund of Management. To date, the Group has contributed a total of RMB10 million to the fund. The Group's contribution will be used to reward people who have made outstanding contributions to China's management field.

With numerous industries in China having undergone upgrades and transitions, worldwide attention is increasingly focused on Chinese-designed products. Xintiandi Style, a shopping mall opened in November 2010, now provides a platform to collectively showcase and nurture Chinese design. Xintiandi Style not only offers a special rental rate to help designers set up their own specialty stores, but also provides full-scale assistance in promotion – such as setting up exhibition areas for special genres of art and arranging media visits and interviews, thereby providing comprehensive support for Chinese designers to develop and market their own brands.

During the year, we collaborated with Huazhong University of Science and Technology, Wuhan University and Wuhan University of Technology to organise the "Shui On Wuhan Tiandi Cup", the 4th Campus Culture Design competition. "The City to Be Done", the theme of the competition, prompted university students to think creatively about ways to scale up from green architecture to green cities. The competition drew outstanding submissions from a total of 260 student groups from the three universities.

Furthermore, the Group co-hosted an activity titled "EFG Entrepreneurship Bootcamp" with the Shanghai Technology Entrepreneurship Foundation for Graduates. As one of the special events held to highlight the 2010 Global Entrepreneurship Week China, "EFG Entrepreneurship Bootcamp", through a summer training camp format, promoted the sharing of entrepreneurial experiences and the imparting of enterprise establishment techniques, with the aim to identify and groom university students committed to starting their own enterprises.

In 2010, the Group sponsored the Shanghai Citizens Civilised Etiquette Competition for the third time. The event aimed to instil good manners in Shanghai citizens in preparation for the grand opening of the Shanghai Expo.

Celebrating Culture to Promote Development

To conserve cultural heritage and promote development through the celebration of culture, the Group attaches great importance to supporting traditional cultural activities on the local level, hand-in-hand with fostering cultural exchanges on the international level. During 2010, the Group's Foshan Lingnan Tiandi project sponsored the "2010 Cantonese Opera Festival ", a series of Cantonese Opera-related folk activities held in honour of the birth of Huaguang, patron deity of Cantonese Opera. This was the second time the Group sponsored and co-hosted the event, with the goal of helping folk art like Cantonese Opera develop and flourish.

The successful Expo 2010 Shanghai China not only showcased China's strength and prosperity to the world, but it also served as a glorious backdrop for a flurry of worldwide cultural exchanges. As side events to the Expo, the Group hosted a series of cultural exchange activities.

On 29 April, the Group's Knowledge and Innovation Community (KIC) project sponsored the opening ceremony of "Clarion Call of World Expo – Wind Music Festival of 2010 Shanghai Spring International Music Festival" to celebrate the Expo's grand opening. During the Expo, a series of Mini Expo events under the theme "Seeing the World at Xintiandi" was held at Shanghai Xintiandi, featuring participants from numerous countries and regions like the United Kingdom, the United States, France, Thailand and Hong Kong. The event served up a veritable buffet of international culture for more than 10 million visitors to Xintiandi. During the Expo, Shanghai Xintiandi had the honour to be named "2010 China's Best Cultural and Recreational District". In Hangzhou, the Group's Xihu Tiandi hosted a five-month Sino-Japanese cultural exchange event, providing an occasion for culture and arts exchange between the two nations.

The Wuhan Tiandi project organised "Drama Season in August", a free drama festival that entertained audiences with a wide variety of cultural performances. The performances were warmly welcomed by locals and drew rapturous applause.

The Group sponsored a number of international sports events during the year. The Jiangwan Sports Centre in KIC hosted the 2010 KIA X Games Asia followed by the first-ever Australian Football League (AFL) Exhibition Match in China. The Group also sponsored three events for the fifth time, namely the "Shui On – Yongye Cup IDSF Grand Slam Finals 2010, the 7th China Shanghai International DanceSport Open Championships", and the 20th China National DanceSport Championships.

Bespoke Employee Training Programmes

Among the objectives of our trainee programmes for the sustainable growth of the Group are the identification of high-calibre employees at an early stage and preparation for them to take up management and leadership responsibilities through custom-made training programmes.

Management Cadet (MC) Programme

This fast-track development programme was established in 2002 for internal staff with at least three years of employment experience, focusing on their potential for taking up core management positions, in an accelerated time frame. As of 31 December 2010, there were 15 Management Cadets, of which seven had completed the programme.

Functional Executive (FE) Programme

Established in 2009, the Functional Executive Programme is designed to develop professionals and managers to eventually take on senior functional positions. A customised training programme will be designed for each Functional Executive. As of 31 December 2010, there were 9 Functional Executives.

Management Trainee (MT) Programme

Established in 1997, this programme aims to prepare fresh graduates to take up management positions. Under mentorship guidance, the trainees undergo a rigorous three-year training of personal development and management skills. The Group recruited four new members in 2010. As of 31 December 2010, there were 45 Management Trainees, of which 40 had completed the programme.

Graduate Trainee (GT) Programme

Aiming to develop fresh graduates to take up relevant professional positions in the Group, this programme provides industry-specific training, as well as teaching essential management techniques. The duration of the course varies for different professional streams. Throughout the programme, job rotation arrangements are made for each trainee, and a 6- to 12-month secondment to external professional institutions is also arranged where applicable. As of 31 December 2010, the Group had recruited 52 Graduate Trainees, with 10 of them having already completed their training.

Summer Internship Programme

Established in 2001, the programme provides four to eight weeks of summer internship opportunities for university students from both the Hong Kong SAR and the Chinese Mainland. A total of 47 students joined this summer internship programme in 2010, of which 15 applied for the "Green Path" to obtain fast access to the MT/GT recruitment process. Eventually 7 of the students successfully embarked on the "Green Path".

Seagull Club: The Constant Caregiver

2010 marked the sixth year of the Shui On Seagull Club, the Group's employee volunteer organisation. Under the tenet "Action to make a difference", the Club has set its focus on rural and urban youth education. To date, close to 500 Shui On employees have volunteered to serve society by taking action themselves, benefitting a total of 2,500 people.

Rural Education

It is our firm belief that communities will prosper only when children are given educational opportunities, protection, due attention and love. Over the past six years, volunteers of the Seagull Club have made their way into eight schools located in remote regions of Jiangxi and Anhui, helping to improve the educational environment and organising teaching activities there. A total of 288 volunteers taught at the schools during their vacations and helped more than 1,800 school children with their ethical, intellectual, physical and artistic development. With hardware and software support from the Seagull Club, the schools acquired organisational skills and are now able to develop sustainably with their new resources and skills. In Dalian, volunteers of the Seagull Club have become "after-school counsellors" for the students of Huangnichuan Elementary School. They regularly organise activities in collaboration with its teachers and students, support facility upgrades, and bring gifts of stationery to its students during the Lunar New Year.

Urban Education

Likewise, the Seagull Club is committed to the healthy development of urban youth like the children of migrant workers, marginalised youth and university students who are in need of jobs. The volunteers extend care to these young people, sharing with them their knowledge and experience. In 2010, the Seagull Club organised a career development seminar for students of the Shanghai Finance University, teaching important communication skills to fresh job seekers. With students of the Donghua University, the Club held a "Job Shadow Day" for the students, exploring topics like the challenges in transitioning from student to employee, and case studies on the workings of real estate companies. Furthermore, the Club's volunteers taught at the Yolanda Hope School in Zhoupu Town, Shanghai, where most students were children of migrant workers. The Club covered the basics of economics and trade, and helped these children take their first step into the dynamic world of economics.

Charity Walk

At the Charity Walk, the Club's annual charity event, volunteers raise funds for underprivileged groups. The activity also helps to spread the philanthropic spirit, raise awareness of those in need and encourage people to get involved in charity work.

In 2010, the Seagull Club collaborated with Shanghai, Hangzhou, Chongqing, Wuhan and Foshan to organise a Charity Walk, which raised a total of RMB91,551 to be used for renovations and repairs in primary schools located in Anhui, Chongqing and Foshan, and to support orphans from impoverished rural areas in Wuhan so that they can complete their education. Book donations received helped to augment the library collection of a village school located in Hangzhou.

Sustainable Development

As a socially responsible property developer, Shui On Land has always firmly believed that sustainability is the key to the long-term development of both the enterprise and society.

Authoritative Acclaim for Our Sustainability Initiatives

The Group has established and implemented a series of sustainability measures to apply the principles of sustainability from the corporate level down to every single operation of individual projects, and as a result, raise the environmental quality of its project locations. Judging from the positive feedback we have received, this has proven to be a sound strategy, and has earned the Group universal acclaim within the field. In December 2010, at the Hong Kong Green Awards 2010 event hosted by Green Council, a non-profit organisation based in Hong Kong, Shui On Land won platinum awards – the most prestigious awards – for both the Green Purchasewi$e Award and the Green Office Management Award in the large corporation category. The Hong Kong Green Awards event aims to honour corporations that have made sustained contributions to environmental protection, and thus encourage industries and commercial enterprises to incorporate the concepts of sustainability into operation and management. Shui On Land's outstanding performance and achievements in environmental protection distinguished the Group from numerous internationally-renowned candidates, and we became one of the only four platinum award-winners and the only corporation to receive two platinum awards. This established the Group's reputation as a leader in the field of sustainability.

At the same time, the Group applies various leading national and international green rating systems and standards on all projects. These include Leadership in Energy & Environmental Design (LEED), Chinese Technical Standard for Performance Assessment of Residential Buildings, and the Evaluation Standard for Green Building. In 2010, the Group further required its Wuhan Tiandi project to meet criteria stated in the BRE Environmental Assessment Method (BREEAM). The scheme, widely used by architects worldwide, rates the building in three areas: building performance, design and construction, and operation and management. For the Wuhan Tiandi project, the development of commercial zones of the podiums of Lots A1/2/3 has become the first project in China to be certified under the BREEAM green building rating scheme.

As the Group continued to develop and deliver during the year, its projects ranked in a number of awards for their sustainability. In January, KIC Plaza Phase II received LEED – Core & Shell pre-Certification Silver rating from the U.S. Green Building Council. In March, Phase I of Chongqing Tiandi Lot B11 received LEED – Core & Shell pre-Certification Gold rating; and residential projects Towers 1, 2, 5 and 6 of Lot 4, Rui Hong Xin Cheng (Rainbow City) passed the Centre for Housing Industrialisation of the Ministry of Housing and Urban-Rural Development AA pre-Evaluation of the Technical Standard Performance Assessment of Residential Buildings. In June, of the various projects in Shanghai selected for evaluation by the Evaluation Standard for Green Building awarded by the Shanghai Urban Construction and Communications Commission, only five projects succeeded in receiving certification. Of them, three were Shui On projects. Located on Lot 4 of Rui Hong Xin Cheng (Rainbow City) and Lots 7-7 and 7-9 of Knowledge and Innovation Community's KIC Village respectively, these projects all received Chinese Green Building 2 Star rating. In September, Dalian Tiandi Aspen and Maple Towers on Site D22 were awarded LEED – Core & Shell pre-Certification Gold rating. In October, Lots 7-7 and 7-9 of Knowledge and Innovation Community's KIC Village went on to receive an AAA Residential Building Performance rating from the Ministry of

Housing and Urban-Rural Development (MOHURD). These accreditations are all well recognised by the property development industry.

Promoting Low-Carbon Concepts by Action

The Group is deeply aware of and understands the global environmental impact caused by greenhouse gas emissions, and actively strives to abate global warming by reducing emissions through greenhouse gas emission verification and control programmes. To contribute to the protection of the global ecological environment, it is Shui On Land's aspiration to develop better ways to cut fossil fuel use, emit less greenhouse gases, and ensure adherence to carbon standards through constant improvement of carbon self-monitoring.

Through active communication with the industry, the Group engaged an internationally recognised third party to quantify the greenhouse gases emitted by the Group's offices and provide training on emissions measurement to the Group's employees. Based on the result of the carbon verification, the Group came up with better policies and measures to cut emissions and combat global warming. To date, the Group has built up a unified carbon verification reporting system, and was awarded the SGS Carbon Verification (ISO 14064) Statement from SGS-CSTC (SGS) – the world's leading inspection, verification, testing and certification company – at the end of 2010. The Group was the first property developer in China to be awarded a carbon verification statement. According to the Group's internal verification, the Group's headquarters emitted a total of 1366.6 tonnes of carbon during 2010, representing a decrease of 3.12% compared to last year's figure of 1410.6 tonnes according to SGS's third-party audit. The Group will consider performing a more comprehensive carbon verification in the future to assess emissions from more of its business operations, and will gradually promote the practice to its partners and suppliers, thus enhancing control of the entire development process emission levels and also promoting low-carbon concepts.

Reduction of Waste by Smart Resource Management

We strive to save energy by fully utilising available resources. In our projects, we have made use of centralised heating and cooling, water source heat pumps, rainwater collection & recycling and comprehensive green roof systems. These installations not only help save energy, but also reduce emissions and wastage.

The Group also installed e-Tendering, an electronic tendering system, and e-Library, a construction materials electronic database. Per our requirement, contractors and suppliers working with the Group are required to submit documents for e-Tendering and catalogues electronically instead of by traditional paper mail. This helps the group move further towards paper-free operation, and avoids paper wastage during tender works and product information collection.

Shanghai Feng Cheng Property Management Co., Ltd., a subsidiary of the Group, spares no effort to save energy and reduce emissions. Starting with its equipment, science-based management is put into play to reduce resource consumption. For example, by adjusting water temperature according to ambient temperature, the water in air conditioners is heated or cooled in response to weather conditions to reduce mechanical wear. Depending on the amount of sunlight available, lights are switched on or off, and lighting patterns adjusted accordingly. Furthermore, the management company made a number of retrofits to save energy: for example, the mechanical room in Corporate Avenue was retrofitted to enhance control of energy consumption; a variable-speed drive was installed in Corporate Avenue's elevator; and old bulbs used in the light fixtures of Taipingqiao's parking area were replaced with LEDs. To date, these measures have reaped rewards in terms of energy savings. Enhanced energy efficiency of the Corporate Avenue mechanical room, verified by relevant government agencies, earned a RMB97,000 government subsidy. Compared with 2009, the electricity consumption of Shui On Plaza and Corporate Avenue fell by 900,000 kWh in 2010.

Quality First: Extensive Use of Green Materials

The Group stepped up its green procurement policies to strategically cooperate with construction corporations, electrical and mechanical engineers and home furnishing industries, reiterating the Group's requirement for contractors to use wood-based panels, paints, and adhesives certified under the China Environmental Labelling scheme, the nation's definitive environmental labelling scheme. To receive this label, products are not only required to meet high standards in terms of quality, but are also assessed by their environmental impact during production, use and treatment after disposal. In contrast to products of the same category without the label, certified products are more eco-friendly by being low-toxicity, non-polluting and energy-saving.

At the same time, the Group continued to promote "Customisation Apartments" in all of its projects during 2010. Buyers can customise the layout, interior decoration, materials and even the cable

TV outlet location in their apartments, thus minimising resource wastage and environmental pollution involved in further renovation by the buyers. In 2010, all residential projects under the Group's Wuhan Tiandi project came with "Customisation Apartments" as a new feature, and about 93% of the apartments in residential projects released under the Foshan Lingnan Tiandi project are "Customisation Apartments".

Experience Sharing to Advance Social Progress

We have always believed that society as a whole must work together to protect the environment. To help society advance on this path, we readily share our experience with practitioners in the industry and members of the public, and actively discuss ways to achieve sustainable development.

The Group's Wuhan Tiandi project launched an Eco-Living Style Show Suite to introduce the project's eco-friendly features to local citizens and promote environmental consciousness. In the first half of 2010, Knowledge and Innovation Community launched a "Free Cycle" activity, establishing a bicycle lending network with three bicycle parking and pickup areas, encouraging citizens to protect the environment and reduce urban air pollution "feet-on". In the latter half of 2010, "Low Carbon Park" was specially created by Dalian Tiandi. The park displays environmental technologies like solar hot water systems, photovoltaic systems, wind turbines, solar streetlights, and more, introducing local citizens to the concepts of sustainability. In October, Chongqing Tiandi formally opened its SO Show Suite to the public, featuring a large number of modelled environments, pictures and use of eco-friendly materials, with an aim to present the big picture and intricacies of sustainable development. Furthermore, the Foshan Lingnan Tiandi project plans to establish a "Foshan Lingnan Tiandi Green-Living Showroom" in the first half of 2011 to promote concepts like sustainable development, low-carbon living and historic preservation to locals and tourists.

In April, Foshan Lingnan Tiandi participated in the "Low-carbon Economy & Human Dwelling Environment Summit", and was honoured as a "Director Unit of Low-carbon Federation in Real Estate" by the Guangdong Academy of Social Sciences, the Guangdong Provincial Association for Science and Technology and Sina Corporation (Guangdong). Foshan Lingnan Tiandi was one of only five units in Southern China to receive this title.

Fostering a "Green" Culture

The Group actively promotes environmental awareness internally, calling for employees to implement eco-principles in daily life and at work to make homes and workspaces safer and more energy efficient. During the year, we launched a "Green Office" programme to promote environmental consciousness and green initiatives in the workplace. These include saving paper while printing, recycling waste paper, plant adoption activities, reducing the need for air conditioning through casual wear, recycling of printer toners and using eco-friendly pens. These initiatives drew enthusiastic response from our employees.

Lastly, in order to improve employees' understanding of sustainable development, organisers within the Group actively held training sessions on the principles of environmental protection. The Foshan Lingnan Tiandi project, for example, held an internal seminar, "Lecture of Environment-friendly Architecture and Application of Energy-saving Technology", for all employees of the Foshan project, introducing to them the concept, inner workings and design principles of green buildings. Other topics covered included the LEED rating system and the performance, energy-saving techniques and sustainability measures used in the Group's various projects that had obtained or planned to obtain a LEED certification.

Sustainable Development Initiatives

Corporate	Achieve/Target-Green Building Certification	Features
1. Shui On Land Ltd HQ – 26/F, Shui On Plaza	Achieved LEED – Commercial Interiors Silver rating	CO_2 sensor to increase indoor air quality; daylight sensors; addition of task lights; water conserving sanitary fixtures.
2. Shui On Land Ltd HQ – 25/F, Shui On Plaza	Achieved LEED – Commercial Interiors Silver rating	
Projects – Master Planning Stage	**Achieve/Target-Green Building Certification**	**Features**
1. Wuhan	Achieved LEED – Neighbourhood Development Pilot Version (Stage 2) Gold rating	Energy, water and waste savings by mixing land uses, connecting to public transit systems, utilising existing cultural and architectural characteristics, building at appropriate utilising densities and orienting the development to maximise solar and wind access; district-wide infrastructure, including centralised heating and cooling, water source heat pumps, rainwater collection and recycling, and comprehensive green roof systems.
2. Chongqing	Achieved LEED – Neighbourhood Development Pilot Version (Stage 2) Gold rating	
3. Dalian	Target to achieve the highest feasible LEED-Neighbourhood Development rating for Huangnichuan	Encourage use of public transit systems and appropriate development densities to preserve the unique natural environment; orient buildings to maximise natural wind ventilation to mitigate temperature extremes; use of solar and wind energy for solar hot water system and wind turbines, non-potable rainwater system, grey water recycling and green roof; carbon assessment for master plan, encourage low carbon life style.
4. Foshan	Target to achieve LEED- Neighbourhood Development Gold rating	City core site selection with high existing development density and small pedestrian-friendly blocks; preservation and adaptive reuse of 22 heritage architecture sites and numerous historic buildings; integrated public transport systems; improved indoor air quality through building orientation and wind harvesting; high performance building fabric; reuse and recycling of project construction materials; use of solar energy and daylight, centralised air conditioning; green roof and green wall, rainwater recycling; carbon assessment for master plan, encourage low carbon life style.
Projects – Development Stage	**Achieve/Target-Green Building Certification**	**Features**
1. Xihu Tiandi, Hangzhou (Entertainment & Retail)	Achieved LEED – Core & Shell pre-Certification Platinum rating	Natural ventilation; earth cooling; radiant cooling/heating; rain water collection & recycling; photo voltaic for indoor public and sign lighting system; green roof.
2. Wuhan Tiandi Lot A4, Wuhan (Entertainment & Retail)	Achieved LEED – Core & Shell pre-Certification Gold rating	Outdoor radiant cooling/heating; outdoor spot cooling/heating; rain water collection & recycling; green roof; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water saving sanitary fittings.
3. Wuhan Tiandi Lot A5, Wuhan (Office)	Submitted application for LEED – Core & Shell pre-Certification, targeting to achieve Gold rating	Increased green ratio; high performance glass curtain wall; low-flow plumbing fixtures and water saving fittings; low-emitting materials/finishes; high performance HVAC system.
4. Wuhan Tiandi Lots A1/2/3, Wuhan (Office & Hotel & Retail)	Registered for BREEAM – "Very Good" Level and adopted Low Carbon Emission Design for Podium	Low Carbon Emission design: rainwater collection & recycling; VSD chiller; total energy wheel; LED lighting for car-park and retail circulation/BOH; solar thermal collector; CO_2 sensor control; day-lighting sensor for atrium; double Low-E coated window glazing; occupancy sensor in back of house area; recycling and local material utilisation.
5. Chongqing Tiandi Lot B3, Chongqing (Entertainment & Retail)	Achieved LEED – Core & Shell pre-Certification Gold rating	Outdoor radiant cooling; water source heat pump; rainwater collection & recycling; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water saving sanitary fittings.
6. Chongqing Tiandi Lot B11, Chongqing (Office; Hotel & Retail)	Target to achieve LEED – Core & Shell Certification Gold rating; Phase 1 achieved pre-Certification Gold rating; Phase 2/3 has been registered for pre-Certification, targeting to achieve Gold rating	High performance glass curtain wall; high efficiency HVAC system with variable primary flow system; CO_2 sensors; daylight control.; occupancy sensors; heat recovery; high performance lighting with low LPD; 40% reduction in potable water use.
7. Taipingqiao Lots 126/127, Shanghai (Office & Retail)	Achieved LEED – Core & Shell pre-Certification Gold rating	High efficiency HVAC system; improved indoor air quality with CO_2 sensor; low-flow plumbing fixtures and water saving sanitary fittings; high performance curtain wall with shading devices; light pollution reduction; low-emitting material (low VOC) finishes.
8. Rainbow City Lot 4, Shanghai (Residential & Retail)	Achieved Chinese Green Building 2 Star rating. 15 Nov 2010, awarded allowance from Shanghai Government as an energy-saving housing project	External wall insulation, grey water collection & recycling; photo voltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated glazing window with thermal break; water saving sanitary fittings.
9. Rainbow City Lot 6, Shanghai (Residential & Retail)	Target to achieve Chinese Green Building 2 Star rating	External wall insulation; grey water collection & recycling; photo voltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated window glazing with thermal break and water saving sanitary fittings.
10. KIC Plaza Phase II, Shanghai (Office)	Achieved LEED – Core & Shell pre-Certification Silver rating	Double Low-E coated glazing; low-emitting materials; improved indoor air quality with CO_2 sensor; low-flow plumbing fixtures and water saving sanitary fittings.
11. KIC Lots 5-5/5-7/5-8, Shanghai (Office)	Achieved LEED Core & Shell pre-Certification Gold rating	Double Low-E coated glazing; low emitting materials; low-flow plumbing fixtures and water saving sanitary fittings; hybrid ventilation; daylight control & occupancy sensor; high performance chillers; heat recovery; rain water recovery.
12. KIC Village Phase II, Lots 7-7/7-9, Shanghai (Office & Residential)	Achieved Chinese Green Building 2 Star rating	External wall insulation; rainwater collection & recycling; photo voltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated glazing window with thermal break; water saving sanitary fittings.
13. Dalian Tiandi Aspen and Maple Towers, Site D22, Dalian	Achieved LEED Core & Shell pre-Certification Gold rating	Preferred parking for low-E and fuel-efficient vehicles; green roof; reuse rainwater and greywater; water-saving sanitary; building commissioning; environmental friendly refrigerant; solar hot water; solar lamp; external wall insulation; Low-E tempered glass; fresh air heat recovery; recycling materials; regional materials; Low-E materials.
14. Dalian Tiandi Site D14, Dalian	Registered for LEED Core & Shell pre-Certification, targeting to achieve Gold rating	Preferred parking for low-E and fuel-efficient vehicles; green roof; reuse rainwater and greywater; water-saving sanitary; building commissioning; environmental friendly refrigerant; solar hot water; solar lamp; external wall insulation; Low-E tempered glass; fresh air heat recovery; recycling materials; regional materials; Low-E materials.

Biographies of Directors and Senior Management

Board of Directors

Executive Directors

Mr. Vincent H. S. LO, GBS, JP

aged 63, has served as the Chairman of our Company since 2004. Mr. Lo leads the Board of Directors in deciding on the Company's direction and to set corporate strategies. Mr. Lo was the Chief Executive Officer of our Company from 2004 to 16 March 2011. He is also the Chairman of the Shui On Group, which he founded in 1971, Chairman of Shui On Construction and Materials Limited ("SOCAM"), a Non-executive Director of Great Eagle Holdings Limited and a Non-executive Director of Hang Seng Bank Limited.

Mr. Lo has been honoured for his entrepreneurial endeavours with the international prestigious business award "Ernst & Young Entrepreneur Of The Year 2009" in the China Real Estate Category, and also been chosen as the grand country award winner among the 12 category winners. He was also awarded the Gold Bauhinia Star (GBS) in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR).

In 1999, Mr. Lo was made an Honorary Citizen of Shanghai. He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005.

In addition to his business capacity, Mr. Lo has been active in community services. He participated in the preparatory works of the establishment of the Hong Kong Special Administrative Region. He currently serves as a Member of The Eleventh National Committee of Chinese People's Political Consultative Conference, the Hong Kong's representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council, the President of Yangtze Council, an Economic Adviser of the Chongqing Municipal Government, the Honorary Life President of the Business and Professionals Federation of Hong Kong, a Vice Chairman of the Chamber of International Commerce Shanghai and the Honorary Court Chairman of The Hong Kong University of Science and Technology.

Mr. Louis H. W. WONG

aged 60, was the Managing Director – Project Management. He served as an Executive Director of the Company from October 2008 until March 2011. During Mr. Wong's services with the Company, he was responsible for all project management matters and the day-to-day management of the Company together with the other senior executives. Mr. Wong joined the Shui On Group in 1981. From November 2002 until May 2004, he was Managing Director of Shui On Properties Limited. He was previously a Non-executive Director of SOCAM and a Director of Shui On Company Limited.

He is currently a member of the Chinese People's Political Consultative Conference Committee of Luwan District of Shanghai, Vice President of the Shanghai Real Estate Trade Association and Vice President of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Ltd. He has also served as a member of the Construction Industry Training Authority, the First Vice President of the Hong Kong Construction Association, a Director of the Real Estate Developers Association of Hong Kong, a member of

Mr. Vincent H. S. LO　　Mr. Louis H. W. WONG　　Mr. Freddy C. K. LEE　　Mr. Daniel Y. K. WAN

the Construction Advisory Board in Hong Kong, Chairman of the Departmental Advisory Committee for the Department of Building and Construction of the City University of Hong Kong, a member of the Provisional Construction Industry Co-ordination Board, a governing council member of the Construction Industry Institute of Hong Kong, a member of the Occupational Safety and Health Council in Hong Kong, a member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and Honorary President of the Hong Kong Institution of Construction Engineers. He holds a Bachelor of Science degree in Civil Engineering from the University of Manchester and is a fellow member of the Institution of Civil Engineers, fellow member of the Chartered Institute of Building and a member of the Hong Kong Institution of Engineers.

Mr. Freddy C. K. LEE

aged 49, is the Managing Director and Chief Executive Officer of the Company. Mr. Lee joined the Shui On Group in 1986 and has over 16 years of working experience in construction management and 10 years of working experience in property development in the People's Republic of China. Besides being responsible for the operations and management of the Company, Mr. Lee is also responsible for the implementation of the Company's Three-Year Plan. Mr. Lee holds a Master's degree in Construction Management from the City University of Hong Kong and a Bachelor's degree in Quantity Surveying from Reading University, England. Mr. Lee is currently a member of the Royal Institution of Chartered Surveyors in the United Kingdom and a member of the Hong Kong Institute of Surveyors.

Mr. Daniel Y. K. WAN

aged 52, is the Managing Director and Chief Financial Officer of the Company responsible for all aspects relating to our finance and accounting, legal, company secretarial and information technology affairs. He is also responsible for the day-to-day management of the Company together with the other senior executives. Mr. Wan joined the Company in March 2009. He has extensive experience in the financial industry with over 20 years in senior management position. Prior to joining the Company, Mr. Wan was the General Manager and Group Chief Financial Officer of The Bank of East Asia, Ltd.

Mr. Wan holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Business Administration degree from The University of Wales. He is a fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales. Mr. Wan was a member of the Accounting Standards Advisory Panel of the Hong Kong Society of Accountants, member of the Auditing Standards Committee of the Hong Kong Society of Accountants, member of the Board of Review (Inland Revenue), member of the Small and Medium Enterprises Committee, member of the Travel Industry Compensation Fund Management Board, Chairman of the Investment Committee of the Travel Industry Compensation Fund and part-time member of the Central Policy Unit.

The Honourable LEUNG Chun Ying

Sir John R. H. BOND

Dr. Edgar W. K. CHENG

Non-Executive Director

The Honourable LEUNG Chun Ying, GBS, JP

aged 56, has served as an Independent Non-executive Director of our Company since May 2006 and was re-designated to a Non-executive Director with effect from 12 January 2007. He is a Director of DTZ Holdings plc ("DTZ") and Chairman of DTZ in Asia Pacific. Mr. Leung is the Convenor of the, non-official members, Executive Council of Hong Kong. He is also a member of the National Standing Committee of the Chinese People's Political Consultative Conference, a member and Chairman of the Council, City University, a member of the Court of City University, Chairman of the Coalition of Professional Services and Chairman of One Country Two Systems Research Institute Limited. He is also a Non-executive Director of Sing Tao News Corporation Limited. Mr. Leung holds a Bachelor of Science degree in Valuation and Estate Management from Bristol Polytechnic, England. He is an Honorary Doctor of Business Administration, University of the West of England, an Honorary Doctor of Business Administration, Hong Kong Polytechnic University, and a fellow of the Hong Kong Institute of Surveyors.

Independent Non-Executive Directors

Sir John R. H. BOND

aged 69, has served as an Independent Non-executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings plc and was with HSBC from 1961 until May 2006. He is Chairman of Vodafone Group Plc, a Non-executive Director of A. P. Moller Maersk and an Advisory Director of Northern Trust Corporation. He is also a member of the Mayor of Shanghai's International Business Leaders' Advisory Council, a participant in the China Development Forum, a member of the International Advisory Board to the Tsinghua University School of Economics and Management and a member of the Mitsubishi International Advisory Committee.

Dr. Edgar W. K. CHENG

aged 67, has served as an Independent Non-executive Director of our Company since September 2006. He has pursued several careers in the fields of medicine, public service and business and finance in the United States and Hong Kong over the past 39 years. A graduate from the University of Notre Dame and the Medical College of Wisconsin, USA, Dr. Cheng was Clinical Associate Professor of Medicine at Cornell University Medical College and practised medicine and conducted clinical research at the Memorial Sloan-Kettering Cancer Centre in New York. A former Chairman of the University Grants Commission in Hong Kong, a member of the Education Commission and a former Chairman of the Council of The Chinese University of Hong Kong, Dr. Cheng is currently Chairman of the World-Wide Investment Co. Limited and has been in other financial market positions such as Chairman of The Stock Exchange of Hong Kong Limited, Vice-chairman and Non-executive Director of Hang Seng Bank Limited, Vice President of the International Federation of Stock Exchange, Founding Chairman of the Hong Kong Securities Institute, a member of the board of directors of the Hong Kong Futures Exchange Limited, a member of the Conference Board's Global Advisory Council, an Independent Director of Goldman Sachs Guo Hua Securities Co. Limited, a member of the board of directors of the Hong Kong Institute for Monetary Research, an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited and an Independent Non-executive Director of American International Assurance Co. Limited.

Dr. William K. L. FUNG

Professor Gary C. BIDDLE

He is currently an Independent Non-executive Director of CNOOC Limited. Dr. Cheng served as the Head of the Central Policy Unit of the Government of Hong Kong Special Administrative Region from 1999 to 2001. He was also a member of the Commission on Strategic Development, a member of the Greater Pearl River Delta Business Council and Chairman of the Council for Sustainable Development. He is currently a member of the Judicial Officers Recommendation Commission. Dr. Cheng also plays an active role in Hong Kong-China affairs. He was appointed by the PRC Government as a Hong Kong Affairs Advisor (1991 – 1997). He became a member of the Preparatory Committee and also the Selection Committee for the Hong Kong Special Administrative Region of the National People's Congress (1996 – 1997). At present, he is a member of The Eleventh National Committee of the Chinese People's Political Consultative Conference.

Dr. William K. L. FUNG, SBS, JP

aged 62, has served as an Independent Non-executive Director of our Company since May 2006. Dr. Fung is Group Managing Director of Li & Fung Limited and has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce, Hong Kong Exporters' Association and Pacific Economic Cooperation Committee. He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Dr. Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred Honorary Doctorate degrees of Business Administration by Hong Kong University of Science and Technology and by the Hong Kong Polytechnic University. Dr. Fung is an Independent Non-executive Director of VTech Holdings Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited (since 3 January 2011) and an Independent Director of Singapore Airlines Limited. He retired as a Non-executive Director of HSBC Holdings plc on 28 May 2010. He is also a Non-executive Director of other listed Li & Fung group companies including Convenience Retail Asia Limited, Trinity Limited and Integrated Distribution Services Group Limited which has been privatized on 29 October 2010.

Professor Gary C. BIDDLE

aged 59, has served as an Independent Non-executive Director of our Company since May 2006. Professor Gary Biddle is PCCW Chair Professor of Accounting at the University of Hong Kong. He was previously Dean of the Faculty of Business and Economics and Associate Dean of the School of Business and Management at the Hong Kong University of Science and Technology ("HKUST"). Professor Gary Biddle was also a Court Member and Council Member of HKUST from 2003 to 2005 and his research appears in leading academic and professional journals.

Professor Gary Biddle obtained his MBA and Ph.D. degrees from the University of Chicago. Professor Gary Biddle served as professor at the University of Chicago and the University of Washington before joining HKUST in 1996. He has offered executive programs for Columbia Business School, London Business School, CEIBS, IMD and other premier business schools globally. Professor Gary Biddle is a member of the American Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants, Hong Kong Institute of Directors, Washington Society of Certified Public Accountants, and is past president and co-founding Council Member of the Hong Kong Academic Accounting Association. Professor Biddle is also an Independent Non-executive Director of Kingdee International Software Group Company Limited.

Dr. Roger L. McCARTHY

Mr. David J. SHAW

Dr. Roger L. McCARTHY

aged 62, has served as an Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is currently the principal of McCarthy Engineering. He was formerly Chairman Emeritus of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou) (毅博科技諮詢(杭州)有限公司), a wholly owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is one of approximately 160 Mechanical Engineers elected to the US National Academy of Engineering. He currently serves on the External Advisory Boards of the Department of Mechanical Engineering at the University of Michigan and the Material Sciences Department at Stanford University, and he delivered the 2008 commencement address for the University of Michigan's College of Engineering. He is also the longest serving member of the Visiting Committee for the Mechanical Engineering Department at the Massachusetts Institute of Technology (MIT).

Mr. David J. SHAW

aged 64, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw is employed by the HSBC Group as Adviser to the Board of HSBC Holdings plc, a London-based appointment which he took up in June 1998. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is a Non-executive Director of HSBC Private Banking Holdings (Suisse) SA, HSBC Bank Bermuda Limited and a director of HSBC Private Bank (Suisse) SA, which are companies within the HSBC Group. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

Senior Management

Mr. TANG Ka Wah

aged 51, is Director – Chongqing and is also an Executive Director of Shui On Development Limited. He is responsible for all aspects of our project in Chongqing. He joined the Shui On Group in 1985 and has over 25 years of working experience in the construction industry. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers. Mr. Tang is a chartered engineer. He holds a Bachelor's degree in Engineering from The University of Hong Kong and a Master's degree in Business Administration – E-Commerce from the West Coast Institute of Management & Technology, West Australia.

Mr. Charles W. M. CHAN

aged 55, is Director – Projects and is responsible for the Dalian Tiandi project and KIC project. He joined the Shui On Group in January 2004. Prior to joining our Company, Mr. Chan was Deputy Managing Director of Frasers Property (China) Limited, Executive Director of SunCorp Technologies Limited, Vice President of Citibank N.A. and Manager of PricewaterhouseCoopers. He is a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in Australia. Mr. Chan holds a Bachelor's degree in Economics from the University of Sydney.

Mr. Albert K. B. CHAN

aged 51, is Director of Planning and Development. He is currently responsible for the conceptualisation and master planning of our Company's new projects and takes charge of the Development Planning & Design Department. He was previously responsible for the overall planning and design of the Shanghai Xintiandi development project. Mr. Chan joined Shui On Properties Limited in 1997. Prior to joining our Company, he was a Project Director at the Department of Design and Construction, New York City. Mr. Chan holds a Bachelor's degree in Architectural Design from the University of Minnesota, a Master's degree in Architecture from the University of California, Berkeley, and a Master's degree in Science in Architecture and Urban Design from Columbia University. He also holds an MBA, majoring in finance from New York University. He is an associate member of the American Institute of Architects, a member of the American Planning Association, a member of the Urban Land Institute and a registered architect of New York State.

Mr. UY Kim Lun

aged 47, is Director of Legal Affairs and Company Secretary of our Company. He joined our Company in 2005 and is responsible for the legal, company secretarial and compliance issues of our Company. Mr. Uy holds a Bachelor's degree, with honours, in Laws and a Postgraduate Certificate in Laws from The University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 19 years of post-qualification experience and has worked in the legal departments of several blue-chip companies in Hong Kong before joining our Company.

Mr. Bryan K. W. CHAN

aged 36, is currently the Project Director for the Hongqiao Project. He is fully in charge of the Group's mixed used development project adjacent to the Hongqiao Transportation Hub in Hongqiao, Shanghai. Mr. Chan joined the Company in February 2009 as Director of Corporate Development. Prior to joining our Company, Mr. Chan had been an adviser to the Commercial Division of the Company and has extensive experience in both retail and real estate industries. Mr. Chan received a Bachelor of Arts degree in Economics from Northwestern University and a Master's of Accounting degree from the University of Southern California. He is a member of the Urban Land Institute (ULI), International Council of Shopping Centers (ICSC), Shanghai Youth Federation and Shanghai Youth Entrepreneurs Association.

Mr. Ken C. K. WONG

aged 55, is the Director of Finance of the Group. Mr. Wong joined the Group in September 2009. His main responsibilities are to overseeing the finance, treasury, accounting and investor relations functions of the Group. For over 12 years, Mr. Wong as an Associate Director before the current posting, worked for a leading listed property development and investment company with significant presence in the Mainland and Hong Kong. He has over 30 years of extensive finance accounting and general management work experience and had been holding various senior management positions with listed companies and private companies, mainly in the property industry.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

Principal Activities

The Company acts as an investment holding company; through its subsidiaries and associates, the Group engages principally in property development and property investment in the People's Republic of China ("PRC"). The activities of its subsidiaries, associates and jointly controlled entities are set out in notes 46, 17 and 18 to the consolidated financial statements respectively.

Results and Appropriations

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 113.

An interim dividend of HK$0.06 per share was paid to the shareholders on 8 November 2010. The interim dividend was in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their 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 and accordingly, 57,753,920 new and fully paid shares were issued.

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), amounting to approximately RMB220 million (2009: RMB530 million) in aggregate. Subject to shareholders' approval of the final dividend at the annual general meeting (the "AGM") 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.

Investment Properties

Details of the movements in the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2010 are set out in note 28 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as of 31 December 2010 were RMB11,200 million (2009: RMB10,520 million).

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Vincent H. S. LO
Mr. Louis H. W. WONG (retired on 16 March 2011)
Mr. Freddy C. K. LEE (appointed on 28 June 2010)
Mr. Daniel Y. K. WAN

Non-executive Director:

The Honourable LEUNG Chun Ying

Independent Non-executive Directors:

Sir John R. H. BOND
Dr. Edgar W. K. CHENG
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

In accordance with the provisions of the Company's Articles of Association, Mr. Vincent H. S. LO, Sir John R. H. BOND, Dr. Edgar W. K. CHENG and Dr. Roger L. McCARTHY will retire by rotation at the AGM and, being eligible, will offer themselves for re-election; and Mr. Freddy C. K. LEE, appointed as an Executive Director of the Company on 28 June 2010, will retire at the AGM and being eligible, will offer himself for re-election.

Directors' Interest in Shares

At 31 December 2010, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long Position in the Shares and the Underlying Shares of the Company

	Number of ordinary shares					
Name of Directors	Personal interests	Family interests	Other interests	Total	Interests in the underlying shares (Note 4)	Approximate percentage of interests in the Company
Mr. Vincent H. S. LO	–	1,333,430 (Note 1)	2,650,391,985 (Note 2)	2,651,725,415	–	50.88%
Mr. Louis H. W. WONG	1,982,200	–	–	1,982,200	5,428,570	0.14%
Mr. Freddy C. K. LEE	286,000	208,500 (Note 3)	–	494,500	5,152,140 (Note 3)	0.10%
Dr. William K. L. FUNG	4,133,593	–	–	4,133,593	–	0.08%
The Honourable LEUNG Chun Ying	–	–	–	–	500,000	0.01%
Sir John R. H. BOND	–	–	–	–	500,000	0.01%
Dr. Edgar W. K. CHENG	–	–	–	–	500,000	0.01%
Professor Gary C. BIDDLE	220,000	–	–	220,000	500,000	0.01%
Dr. Roger L. McCARTHY	–	–	–	–	500,000	0.01%
Mr. David J. SHAW	–	–	–	–	500,000	0.01%

Notes:
(1) These shares were beneficially owned by Ms. Loletta CHU ("Mrs. Lo"), the spouse of Mr. Vincent H. S. LO ("Mr. Lo"). Mr. Lo was deemed to be interested in such shares under the SFO.
(2) These shares were beneficially owned by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,411,712,352 shares, 1,101,209,977 shares and 137,469,656 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI") and New Rainbow Investments Limited ("NRI") respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under the SFO.
(3) Mr. Freddy C. K. LEE was deemed to be interested in 208,500 shares and 960,267 share options held by his spouse under the SFO.
(4) These represent the interests of share options granted to the Directors and/or his associate(s) under the share option scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options" below.

Save as disclosed above, at 31 December 2010, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interest in Shares

At 31 December 2010, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares	Approximate percentage of interests in the Company
Mrs. Lo	Family and Personal	2,651,725,415 (L) (Note 1)	50.88%
HSBC Trustee	Trustee	2,650,391,985 (L) (Note 2)	50.85%
Bosrich	Trustee	2,650,391,985 (L) (Note 2)	50.85%
SOCL	Interests of Controlled Corporation	2,605,391,985 (L) (Note 2)	50.85%
Standard Chartered PLC	Interests of Controlled Corporation	306,332,010 (L) 300,506,165 (S) (Notes 3 & 4)	5.88% 5.77%

Notes:

(1) The 2,651,725,415 shares were comprised of 1,333,430 shares beneficially held by Mrs. Lo and 2,650,391,985 shares in which Mr. Lo, the spouse of Mrs. Lo, has a deemed interest under the SFO mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 2,650,391,985 shares under the SFO.

(2) These shares were beneficially owned by SOCL through its controlled corporations, comprising 1,411,712,352 shares, 1,101,209,977 shares and 137,469,656 shares held by SOP, SOI and NRI respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC Trustee is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under the SFO.

(3) (L) represents long positions and (S) represents short positions.

(4) The interests are held by Standard Chartered Bank, which is wholly owned by Standard Chartered Holdings Limited, which is in turn ultimately owned by Standard Chartered PLC. Standard Chartered Bank was in a long position of 306,332,010 shares and a short position of 300,506,165 shares (within which the short position consisting of 300,506,165 shares and long position of 190,364,234 shares are derived from the interest in equity derivatives).

Save as disclosed above, at 31 December 2010, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Share Options

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 (the "Adoption Date") are set out in note 37 to the consolidated financial statements.

The following table sets out the movement in the Company's share options during the year:

Name or category of eligible participants	Date of grant	Exercise price per share HK$	At 1 January 2010	Reclassifi–cations	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2010	Period during which the share options are exercisable
Directors									
Mr. Louis H. W. WONG	20 June 2007	7.00	5,510,203	–	–	–	(81,633)	5,428,570	20 June 2009 – 19 June 2016
Mr. Freddy C. K. LEE	20 June 2007	7.00	–	3,571,428	–	–	(51,021)	3,520,407	20 June 2009 – 19 June 2016
	2 June 2008	7.34	–	681,198	–	–	(9,732)	671,466	2 June 2010 – 1 June 2017
The Honourable LEUNG Chun Ying	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Sir John R. H. BOND	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Edgar W. K. CHENG	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Professor Gary C. BIDDLE	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Roger L. McCARTHY	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. David J. SHAW	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. Aloysius T. S. LEE (Note 1)	1 November 2007	11.78	318,336	–	–	–	(318,336)	–	1 November 2009 – 15 March 2010
Sub-total			**8,828,539**	**4,252,626**	**–**	**–**	**(460,722)**	**12,620,443**	
Consultants									
Mr. Richard K. N. HO	20 June 2007	7.00	1,000,000	–	–	–	–	1,000,000	20 June 2007 – 19 June 2016
Dr. Thomas K. F. LEUNG	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Sub-total			**1,500,000**	**–**	**–**	**–**	**–**	**1,500,000**	
Employees (in aggregate)	20 June 2007	7.00	96,621,895	(3,571,428)	–	–	(15,108,552)	77,941,915	20 June 2009 – 19 June 2016
	1 August 2007	8.18	1,269,802	–	–	–	(159,869)	1,109,933	1 August 2009 – 31 July 2016
	2 October 2007	10.00	2,468,768	–	–	–	(402,312)	2,066,456	2 October 2009 – 1 October 2016
	1 November 2007	11.78	983,279	–	–	–	(258,729)	724,550	1 November 2009 – 31 October 2016
	3 December 2007	9.88	1,234,329	–	–	–	(653,463)	580,866	3 December 2009 – 2 December 2016
	2 January 2008	8.97	3,358,409	–	–	–	(180,400)	3,178,009	2 January 2010 – 1 January 2017
	1 February 2008	8.05	1,717,382	–	–	–	(272,500)	1,444,882	1 February 2010 – 31 January 2017
	3 March 2008	7.68	735,670	–	–	–	(102,662)	633,008	3 March 2010 – 2 March 2017
	2 May 2008	7.93	7,238,273	–	–	–	(1,816,341)	5,421,932	2 May 2010 – 1 May 2017
	2 June 2008	7.34	15,231,560	(681,198)	–	–	(1,556,116)	12,994,246	2 June 2010 – 1 June 2017
	2 July 2008	6.46	1,482,175	–	–	–	(534,944)	947,231	2 July 2010 – 1 July 2017
	4 September 2009	4.90	23,705,524	–	–	–	(2,716,383)	20,989,141	3 November 2010 – 2 November 2017
Sub-total			**156,047,066**	**(4,252,626)**	**–**	**–**	**(23,762,271)**	**128,032,169**	
Total			**166,375,605**	**–**	**–**	**–**	**(24,222,993)**	**142,152,612**	

Notes:

(1) Mr. Aloysius T. S. LEE resigned as an executive director of the Company with effect from 16 December 2009 and his share options lapsed on 15 March 2010.

(2) The vesting period of the share options under the Share Option Scheme is from the date of grant until the commencement of the exercise period.

Summary of the Share Option Scheme are as follows:

(1) Purpose

The purpose of the Share Option Scheme is to provide a strategic driver to enhance shareholder value of the Company through achieving excellent business results and rapid growth; and to build a high performing organization with loyal staff and other key contributors who are committed to achieving the vision and goals of the Company.

(2) Qualifying Participants

The Board may offer to grant an option to any employee including employee who has been newly promoted or recruited by the Company and/or its subsidiaries and non-executive director, consultant or other contributor of the Company or its subsidiaries as recommended by the Chairman.

(3) Maximum Number of Shares

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit exceeded. At 31 December 2010, the number of shares available for issue in respect thereof is 418,009,717 shares.

(4) Limit for Each Participant

The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

(5) Option Period

The period within which the shares must be taken up under an option for an employee shall be for such period as the Board may from time to time determine, and initially as at the Adoption Date, shall be a period ranging from 5 years for the first to the third tranch to 1 year for the seventh tranch of the option unless otherwise adjusted by the Board in its absolute discretion in certain circumstances set out in the Share Option Scheme. In the case of an option granted to a qualifying participant recommended by the Chairman, the option period shall be for such period as the Board may from time to time determine in accordance with the recommendations of the Chairman, which initially at the Adoption Date, shall not be more than 5 years from the date of the relevant grant. In all cases, the option period shall not exceed 10 years from the date of grant of the relevant option.

(6) Acceptance and Payment on Acceptance

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 30 days from the date of the offer (or such longer period as the Board may specify in writing). HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.

(7) Subscription Price

The subscription price in respect of any particular option shall be the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(8) Remaining Life of the Share Option Scheme

The Board shall be entitled at any time within 10 years commencing on 8 June 2007 to make an offer for the grant of an option to any qualifying participants.

Arrangement to Purchase Shares or Debentures

Other than the share option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 84 to 91.

Connected Transactions

Certain related party transactions as disclosed in note 41 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions between the connected persons (as defined in the Listing Rules) and the Company, certain of which are ongoing.

(1) Provision of Project Management Services by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. ("SYKIZ") to Shanghai Yangpu Centre Development Co., Ltd. ("KIC")

Pursuant to an agreement between the Group and SYKIZ which commenced on 26 August 2003, SYKIZ provides KIC, a subsidiary of the Company, with advisory services including assisting with obtaining the relevant regulatory and government approvals and permits as well as the marketing and administrative aspects for the property development projects of KIC (the "Shanghai KIC Project").

SYKIZ owned 30% of KIC upon its incorporation. Pursuant to an agreement signed with SYKIZ, KIC has increased its registered capital by US$77 million from US$60.5 million to US$137.5 million, whereby SYKIZ did not participate in injecting the additional capital of US$77 million into KIC. As a result of the completion of this agreement, SYKIZ's interest was diluted from 30% to 13.2% by 16.8%. As SYKIZ is a substantial shareholder of KIC, SYKIZ is a connected person of the Company under the Listing Rules.

The total services fee payable by KIC to SYKIZ for the advisory services is fixed at 0.9% of the construction costs for the Shanghai KIC Project incurred by KIC. Our Directors believe that the advisory services agreement is on normal commercial terms.

The Group expected that the maximum annual amount payable by KIC to SYKIZ for the advisory services for each of the two years ending 31 December 2011 would not exceed RMB9 million.

An amount of RMB3.6 million was paid and/or is payable by KIC to SYKIZ for the advisory services during the year under review.

(2) Acquisition of Land with SYKIZ

On 5 March 2010, Top Victory Development Limited ("Top Victory"), a wholly-owned subsidiary of the Company, together with SYKIZ made a successful bid for the land located in Wujiaochang, Yangpu District, Shanghai, the PRC (the "Land"). Top Victory paid RMB1,263 million for the Land. Top Victory and SYKIZ established a joint venture company which was owned as to 99% by Top Victory and as to 1% by SYKIZ for the purpose of, inter alia, holding and developing the Land.

SYKIZ is a connected person of the Company by virtue of its more than 10% shareholding interest in KIC. Therefore, the acquisition of the Land and the establishment of the joint venture company with SYKIZ constituted connected transactions of the Company.

(3) Leases of Property by the Group from the Subsidiaries of SOCL

In the ordinary course of the Group's business, the Company or its subsidiaries, as tenant, have entered into a number of property leasing agreements with the subsidiaries of SOCL (the "Shui On Group"). As SOCL is a substantial shareholder of the Company, SOCL and each of the subsidiaries of SOCL are connected persons of the Company.

In Shanghai, the Group has entered into property leasing agreements with Shanghai Jiu Hai Rimmer Properties Co. Ltd., which is an indirect 80% owned subsidiary of SOCL, for various units in Shui On Plaza for offices at market rent. In Hong Kong, a subsidiary of the Company has entered into property leasing and licensing agreements with Shui On Centre Company Limited and SOI, both of which are wholly-owned by SOCL, for various units in Shui On Centre at prevailing market rent. These properties are used for offices and a showroom.

The Company entered into a framework lease agreement with SOCL on 30 May 2006, the terms of which was extended to 31 December 2009 by a supplemental agreement dated 4 September 2007 and further extended to 31 December 2012 by a second supplemental agreement dated 15 January 2010.

The Group set the maximum aggregate annual rent payable by the Group to the Shui On Group for leasing, sub-leasing and licensing of the properties in Shanghai for the three years ending 31 December 2012 at RMB37 million, RMB39 million and RMB41 million respectively. In addition, the Company expected that the total amount payable by the Group to the Shui On Group for leasing of the premises in Hong Kong for the three years ending 31 December 2012 will not exceed HK$3.8 million, HK$4 million and HK$4.2 million respectively.

The amounts of RMB28.5 million for the properties in Shanghai and HK$3 million for the properties in Hong Kong, respectively were paid and/or are payable by the Group to the Shui On Group for leasing and/or licensing of the premises under the property leasing agreements and the framework lease agreement during the year under review.

(4) Provision of Construction Services by Shui On Construction and Materials Limited ("SOCAM") to the Group

In the ordinary course of the Group's business, the Group entered into a number of construction contracts with Shui On Construction Co., Ltd. ("SOC"), and Pat Davie (China) Limited (the "SOCAM Contractors") as the contractors for construction works in relation to our projects in the PRC. The construction contracts include renovation works, building decoration works, mechanical and electrical system materials procurement and building materials procurement. Mr. Lo, as the controlling shareholder of the Company, also holds more than 30% shareholding in SOCAM. Thus, SOCAM is a connected person of the Company. The SOCAM Contractors are subsidiaries of SOCAM and are therefore connected persons of the Company.

For contracts over RMB1 million, construction contracts were generally put out to tender and contractors selected through a bidding process under which each potential contractor was assessed on its qualifications, reputation for reliability, quality and price. The construction contracts with SOCAM Contractors of over RMB1 million were entered into pursuant to and on the basis of bids tendered. For contracts of RMB1 million or less, the price was agreed with SOCAM Contractors with reference to the prevailing market rates.

On 4 June 2006, the Company entered into a construction services framework agreement with SOC which expired on 31 December 2008. On 15 December 2008, SOC and the Group entered into a supplemental agreement to extend the term for three financial years to 31 December 2011.

The Group expected that the maximum annual payment for the construction services provided by SOC to the Group for the two years ending 31 December 2011 would not exceed RMB561 million and RMB845 million respectively.

An amount of RMB527 million was paid and/or is payable to SOC for construction services during the year under review.

(5) Provision of Management Services by Shui On Development Limited ("Shanghai SOD") to Richcoast Group Limited ("Richcoast") and its Subsidiaries (Collectively as the "Dalian Group")

On 28 April 2008, Shanghai SOD, a wholly-owned subsidiary of the Company, Max Clear Holdings Limited ("Max Clear"), a wholly-owned subsidiary of SOCAM, Yida Group Company Limited ("Yida") and certain onshore companies of the Dalian Group entered into a management services agreement pursuant to which each of Shanghai SOD, Max Clear and Yida agreed to provide management services to the Dalian Group for a term of three years commencing from 1 January 2008 to 31 December 2010. On 28 December 2010, Shanghai SOD, Max Clear, Yida and the then onshore companies of the Dalian Group entered into a renewed management services agreement to extend the term for three years to 31 December 2013.

The Dalian Group is effectively held as to 48% by the Group, 22% by SOCAM (a connected person of the Company) and 30% by Yida and thus, a connected person of the Company. In addition, the companies constituting the Dalian Group are subsidiaries of the Group for the purposes of the Listing Rules, and Max Clear and Yida are connected persons of the Company by virtue of being the substantial shareholders of Richcoast.

In accordance with the management services agreement, each of Shanghai SOD, Max Clear and Yida is entitled to receive an annual management services fee from the Dalian Group to be calculated at 1%, 1.5% and 1% respectively of the annual total budgeted construction cost for the Dalian project with respect to the provision of management services.

The annual caps for the management services fees paid or payable by the Dalian Group to each of Shanghai SOD, Max Clear and Yida for the year ended 31 December 2010 must not exceed RMB12.66 million, RMB19 million and RMB12.66 million respectively.

The amounts of RMB10.2 million, RMB15.3 million and RMB10.2 million were paid and/or are payable to Shanghai SOD, Max Clear and Yida respectively for the management services fees during the year under review.

(6) Provision of Construction Services by Yida and its Subsidiaries (the "Yida Group") for Dalian Tiandi

On 7 August 2008, Richcoast and Yida entered into a framework construction agreement, pursuant to which the Yida Group may enter into contracts with the Dalian Group to perform site formation and construction works, which include excavation and/or filling, clearance of the construction site, removal of the construction garbage, setting up a drainage system and construction of the main structures on the land area constituting Dalian Tiandi for a term expiring no later than 31 December 2010. The term of the agreement was subsequently extended to 31 December 2011 by a supplemental agreement dated 17 July 2009 and further extended to 31 December 2012 by a second supplemental agreement dated 26 August 2010.

Yida, through its wholly-owned subsidiary, is a substantial shareholder of Richcoast, a subsidiary of the Group for the purpose of the Listing Rules. Therefore, the Yida Group is connected person of the Company.

The annual caps for the payment made or to be made by the Dalian Group to the Yida Group for each of the three years ending 31 December 2012 must not exceed RMB1,000 million.

An amount of RMB550 million was paid and/or is payable to the Yida Group for the construction services fees during the year under review.

(7) Use of Aircraft Owned by a Subsidiary of SOCL

On 4 September 2009, the Company entered into an agreement with Top Dynasty Investment Limited ("Top Dynasty"), pursuant to which the Group may use an aircraft owned by Top Dynasty for the purpose of transporting passengers for business of the Group. As Top Dynasty is a subsidiary of SOCL, the transactions contemplated under the agreement constitute continuing connected transactions of the Company under the Listing Rules.

The term of the agreement is extended to 31 December 2013 by a supplemental agreement dated 2 November 2010. The fees are calculated based on the actual travelling schedules of the passengers.

It was expected that the maximum annual fees payable by the Group to Top Dynasty and its affiliates under the agreement for the year ended 31 December 2010 would not exceed HK$20 million.

An amount of RMB11.8 million was paid and/or is payable by the Group to Top Dynasty and its affiliates for the use of aircraft during the year under review.

(8) Continuing Connected Transactions with Respect to Certain Projects of Chongqing Shui On Tiandi Property Development Company Limited ("Chongqing Tiandi")

On 25 September 2009, Shui On Development (Holding) Limited ("SODH"), Winnington Land Limited ("WLL") and Chongqing Tiandi entered into a project services framework agreement pursuant to which Chongqing Tiandi may enter into separate service contracts with the Group and/or WLL and its associates (the "WLL Group") to perform services with respect to the property development projects (excluding the Super High Rise project) of Chongqing Tiandi from time to time in accordance with the terms of the framework agreement for the three years ending 31 December 2011.

The ultimate controlling shareholder of WLL is an associate of Mr. Lo pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL, together with the WLL Group, are connected persons of the Company and the services fees payable by Chongqing Tiandi to the WLL Group under the framework agreement constitute continuing connected transactions of the Company under the Listing Rules.

The annual caps for the services fees payable by Chongqing Tiandi to the WLL Group for the two years ending 31 December 2011 must not exceed RMB8.7 million and RMB9.9 million respectively.

An amount of RMB4.3 million was paid and/or is payable by Chongqing Tiandi to the WLL Group for the project services fees during the year under review.

(9) Continuing Connected Transactions with Respect to the Projects of Shanghai Rui Hong Xin Cheng Co., Ltd ("RHXC")

On 27 October 2009, SODH, WLL and RHXC entered into a project services framework agreement pursuant to which RHXC may enter into separate service contracts with the Group and/or the WLL Group to perform services with respect to the property development projects of RHXC, from time to time in accordance with the terms of the project services framework agreement for the three years ending 31 December 2011.

The ultimate controlling shareholder of WLL is an associate of Mr. Lo pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL, together with the WLL Group, are connected persons of the Company and the services fees payable by RHXC to the WLL Group under the project services framework agreement constitute continuing connected transactions of the Company under the Listing Rules.

The annual caps for the services fees payable by RHXC to the WLL Group for the two years ending 31 December 2011 must not exceed RMB0.6 million and RMB8 million respectively.

During the year under review, RHXC has not paid or incurred any service fees to the WLL Group under the project services framework agreement.

(10) Provision of Services by Shanghai SOD to Shanghai Li Xing Hotel Company Limited ("Li Xing")

On 1 January 2007, Shanghai SOD and Li Xing entered into the services agreement in relation to the provision of the services by Shanghai SOD to Li Xing, including but not limited to, construction management and construction site office administration for the property development projects at Lots 107 and 108 owned by Li Xing.

On 24 December 2009, SOI acquired 100% equity interest of Li Xing. SOI is an associate of Mr. Lo, a director of the Company, and therefore, SOI and its subsidiaries are connected persons of the Company. At the date of publishing the relevant announcement, the provision of services by Shanghai SOD to Li Xing under the services agreement constituted continuing connected transactions of the Company under the Listing Rules. On 18 January 2010, Shanghai SOD and Li Xing entered into the supplemental agreement to restrict the term of the original agreement dated 1 January 2007 to not more than 3 years.

The annual caps for the services fees payable by Li Xing to Shanghai SOD for the three years ending 2012 must not exceed RMB20 million, RMB10 million and RMB5 million respectively.

An amount of RMB15.5 million was paid and/or is payable by Li Xing to the Group for the services fees during the year under review.

(11) Connected Transactions with Winnington Capital Limited ("WCL") in Respect of Rightchina Limited ("Rightchina")

(i) Receipt of Loan Guarantee Fees from WCL or its Affiliate

In accordance with the shareholders agreement dated 23 September 2008, the Group may provide guarantees for the purpose of financing the development costs (the "Development Costs") which include, without limitation, the construction costs, interest expenses, sales and marketing costs and the relocation and land costs. The requirement of the Development Costs may be realized in the form of bank loans. In the event where the Group agrees to provide WCL's or its affiliate's proportionate share of a guarantee, WCL or its affiliate shall give loan guarantee fees to the Group for its input.

Given that WCL is a connected person of the Company, the receipt of any loan guarantee fees from WCL or its affiliate would constitute continuing connected transactions of the Company.

The annual cap for the amount of receipt of loan guarantee fees from WCL or its affiliate for the year ended 31 December 2010 was set at not exceeding RMB20 million. The Group has not received any loan guarantee fee from WCL or its affiliate during the year under review. The relevant annual caps for the three years ended 31 December 2010 have not been renewed upon their expiry on 31 December 2010.

(ii) Provision of Shareholders' Loans

In accordance with the shareholders agreement dated 23 September 2008, additional shareholders' loans may be required to be provided by Score High Limited and/or WCL or its affiliate for the Super High Rise project to finance the Development Costs. Where the external banking facilities are unavailable to fund the Development Costs due to any reason, Score High Limited and WCL, the shareholders of Rightchina shall provide shareholders' loans to fund the shortfall amount in accordance with their shareholding proportion to facilitate the development of the Super High Rise project.

Given that WCL is a connected person of the Company, the provision of shareholders' loans by WCL or its affiliate would constitute continuing connected transactions of the Company.

At the time of making the relevant announcement, the annual cap for the provision of additional shareholders' loans for the financial year ended 31 December 2010 was set at not exceeding RMB1,000 million. No additional shareholders' loan was provided by WCL or its affiliate to Rightchina during the year under review. The relevant annual caps for the three years ended 31 December 2010 have not been renewed upon their expiry on 31 December 2010.

(12) Receipt of Guarantee Fee from Elegant Partners Limited ("EPL")

On 15 January 2010, a consortium of banks (the "Lenders") agreed to renew and increase the amount of the loan facilities to RHXC and Hollyfield Holdings Limited (collectively, the "Borrowers", the subsidiaries of the Company) from approximately RMB1,180 million to the equivalent of approximately RMB1,651 million (the "Renewed Loan Facilities"), and the Company agreed to renew and amend the terms of the guarantee executed on 20 June 2006 to become the sole guarantor for securing the Borrowers' payment obligations due under the Renewed Loan Facilities.

In consideration of the Company agreeing to provide the renewed guarantee to the Lenders, on 1 June 2010, EPL agreed to pay a guarantee fee (the "Guarantee Fee") to the Company in accordance with the terms as stipulated in an agreement dated 1 June 2010 between EPL, SODH and the Company. The Guarantee Fee is assessed with reference to (a) the fair value rate determined by an independent valuer by reference to the difference in interest rates of the Renewed Loan Facilities that would have been applicable if the Company did not give the renewed guarantee; (b) the Renewed Loan Facilities; and (c) EPL's current 25% shareholding in Foresight Profits Limited, a non-wholly subsidiary of the Company.

Pursuant to Rule 14A.37 of the Listing Rules, the INEDs of the Company have reviewed the above continuing connected transactions referred to in items (1) and (3) to (10), and are of the opinion that the continuing connected transactions as stated in items (1) and (3) to (10) above have been:

(i) carried out in the usual and ordinary course of business of the Group;

(ii) conducted on normal commercial terms; and

(iii) entered into in accordance with the terms of the respective agreements.

The INEDs of the Company confirmed that no continuing connected transaction was entered into in respect of items (11)(i) and (11)(ii).

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions referred to in items (1) and (3) to (10) disclosed by the Group in the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Directors' Service Contracts

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

Save for the related party transactions disclosed in note 41 to the consolidated financial statements, no contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

At 31 December 2010, the following Director or his associates is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of businesses which entity are considered to compete of likely complete with the businesses of the Group	Description of the businesses of the entity which are considered to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Lo	SOCL	Property investment in the PRC	Director and controlling shareholder
Mr. Lo	SOCAM	Property investment in the PRC	Director and controlling shareholder

There is a deed of non-competition dated 30 May 2006 (the "Deed") and entered into between Mr. Lo, SOCL and the Company pursuant to which Mr. Lo and SOCL have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group (that is, SOCL and its subsidiaries and for the purpose of this section "Directors' Interests in Competing Business", excluding SOCAM and its subsidiaries) for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. Such information has been disclosed in the Company's prospectus dated 20 September 2006. In respect of the year ended 31 December 2010, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the non-competition undertakings as contemplated under the Deed.

Save as aforesaid, as of the date of this report, none of the Directors of the Company has an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Disclosure under Rule 13.21 of the Listing Rules

On 28 November 2006, the Company entered into a guarantee (the "Guarantee") to guarantee the performance of its subsidiary, Chongqing Tiandi, under a loan facility of up to RMB300 million granted by The Hongkong and Shanghai Banking Corporation Limited, Shanghai Branch and subsequently transferred and assigned to HSBC Bank (China) Company Limited, Chongqing Branch (the "Chongqing HSBC Loan"). The Guarantee requires that Mr. Lo, a director of the Company, has to remain as a controlling shareholder of the Company and that the Company has to maintain its indirect and beneficial ownership in Chongqing Tiandi.

On 16 December 2009, SODH (being the immediate subsidiary of the Company) as borrower, the Company as guarantor, the original lenders as lenders, and BNP Paribas Hong Kong Branch as the coordinating arranger and facility agent entered into a facility agreement in relation to a three-year term loan facility of HK$1,000,000,000 (the "BNP Loan"). Pursuant to the facility agreement, there is a requirement that Mr. Lo and his family (the "Lo Family") be the single largest shareholder of the Company and maintains a minimum 35% of the direct or indirect legal and beneficial interest in the Company during the term of the facility agreement.

On 13 May 2010, SODH as borrower, the Company as guarantor and The Hongkong and Shanghai Banking Corporation Limited as lender entered into a facility letter in relation to a three-year term loan facility of up to HK$250,000,000 (the "HSBC Loan"). Pursuant to the facility letter, there is a requirement that the Lo Family maintains a minimum 35% of the direct or indirect legal and beneficial shareholding in the Company during the term of the facility letter. The HSBC Loan was repaid on 10 December 2010.

On 23 December 2010, a written agreement (the "2013 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB Trustees (Hong Kong) Limited ("DB") as trustee of the RMB3,000,000,000 US$ settled 6.875% senior notes due 2013 issued by SODH (the "2013 Notes"), pursuant to which the 2013 Notes were issued.

The 2013 Indenture provided that upon the occurrence of a change of control, SODH will make an offer to repurchase all outstanding 2013 Notes, at a purchase price equal to a RMB-denominated amount that would be due under the 2013 Notes or the 2013 Indenture in RMB, the RMB amount converted into US$ using the spot rate for the applicable rate calculation date, of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase.

A change of control under the 2013 Indenture includes, among others, any transaction that results in either: (1) Mr. Lo, any other person under common control with Mr. Lo and any person owned 80% by persons aforesaid (collectively, the "Permitted Holders under the 2013 Indenture") being the beneficial owner of less than 35% of the total voting power of the voting stock of the Company or SODH; or (2) any person or group (as defined in the 2013 Indenture) other than the Permitted Holders under the 2013 Indenture being the beneficial owner of more voting power of the voting stock of SODH than each Permitted Holders under the 2013 Indenture.

Any breach of the above obligations will cause a default in respect of the Chongqing HSBC Loan, the BNP Loan and the 2013 Notes, and may trigger cross defaults in other outstanding debts of the Group in the aggregate amount of approximately RMB13,608 million as of 31 December 2010.

Subsequent to the year ended 31 December 2010, a written agreement (the "2015 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the RMB3,500,000,000 US$ settled 7.625% senior notes due 2015 issued by SODH (the "2015 Notes") on 26 January 2011, pursuant to which the 2015 Notes were issued.

The 2015 Indenture provided that upon the occurrence of a change of control, SODH will make an offer to repurchase all outstanding 2015 Notes, at a purchase price equal to a RMB-denominated amount that would be due under the 2015 Notes or the 2015 Indenture in RMB, the RMB amount converted into US$ using the spot rate for the applicable rate calculation date, of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase.

A change of control under the 2015 Indenture includes, among others, any transaction that results in either: (1) Mr. Lo, any other person under common control with Mr. Lo and any person owned 80% by persons aforesaid (collectively, the "Permitted Holders under the 2015 Indenture") being the beneficial owner of less than 35% of the total voting power of the voting stock of the Company or SODH; or (2) any person or group (as defined in the 2015 Indenture) other than the Permitted Holders under the 2015 Indenture being the beneficial owner of more voting power of the voting stock of SODH than each Permitted Holders under the 2015 Indenture.

Remuneration Policy

The remuneration policy of the Group to reward its employees is based on their performance, qualifications and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Provident and Retirement Fund Schemes

Details of the Group's provident and retirement fund schemes are shown in note 34 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Sufficiency of Public Float

The Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2010.

Charitable Donations

During the year, the Group made charitable donations amounting to RMB12 million (2009: RMB8 million).

Major Customers and Suppliers

During the year, less than 30% of the Group sales were attributable to the top five customers of the Group. For the year ended 31 December 2010, our single largest construction contractor, SOC accounted for approximately 15% of our total construction cost incurred. Details of the transactions with SOC are set out under the caption Connected Transactions point (4) "Provision of construction services by SOCAM to the Group" in pages 104 and 105. Our five largest construction contractors accounted for approximately 38% of our total construction services employed. Except for the construction services provided by SOC, none of our Directors, their associates or any shareholders holding more than 5% of the share capital of the Company has any interest in our five largest construction contractors.

Auditor

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Vincent H. S. LO
Chairman

16 March 2011

Independent Auditor's Report

To the Shareholders of Shui On Land Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 113 to 180, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 RMB'million	2009 RMB'million
Turnover	5	**4,879**	6,758
Cost of sales		**(2,869)**	(3,229)
Gross profit		**2,010**	3,529
Other income	6	**226**	170
Selling and marketing expenses		**(142)**	(151)
General and administrative expenses		**(561)**	(543)
Operating profit	7	**1,533**	3,005
Increase in fair value of investment properties	13	**2,711**	536
Gain on disposal of investment properties		**23**	–
Gain on acquisition of additional equity interests in subsidiaries	36(b)	**–**	6
Share of results of associates	17	**58**	436
Finance costs, net of exchange gain	8	**42**	(89)
Profit before taxation		**4,367**	3,894
Taxation	9	**(1,357)**	(1,301)
Profit for the year		**3,010**	2,593
Attributable to:			
Shareholders of the Company		**2,809**	2,673
Non-controlling interests		**201**	(80)
		3,010	2,593
Earnings per share	12		
– Basic		**RMB0.55**	RMB0.55
– Diluted		**RMB0.53**	RMB0.55

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 RMB'million	2009 RMB'million
Profit for the year		**3,010**	2,593
Other comprehensive (expense) income			
Exchange difference arising on translation of foreign operations		**(4)**	(19)
Fair value adjustments on interest rate swaps designated in cash flow hedges	32	**(7)**	45
Other comprehensive (expense) income for the year		**(11)**	26
Total comprehensive income for the year		**2,999**	2,619
Total comprehensive income attributable to:			
Shareholders of the Company		**2,798**	2,699
Non-controlling interests		**201**	(80)
		2,999	2,619

Consolidated Statement of Financial Position

As of 31 December 2010

	Notes	2010 RMB'million	2009 RMB'million
Non-current assets			
Investment properties	13	**26,893**	21,206
Property, plant and equipment	14	**540**	356
Prepaid lease payments	15	**73**	43
Interests in associates	17	**920**	862
Loans to associates	17	**1,270**	1,273
Accounts receivable	19	**64**	59
Pledged bank deposits	20	**1,569**	1,222
Deferred tax assets	33	**162**	139
		31,491	25,160
Current assets			
Properties under development for sale	16	**14,308**	11,532
Properties held for sale	21	**627**	627
Accounts receivable, deposits and prepayments	19	**3,604**	933
Loans receivable	22	**597**	378
Amounts due from associates	17	**318**	147
Amounts due from related companies	23	**49**	73
Amounts due from non-controlling shareholders of subsidiaries	24	**38**	17
Pledged bank deposits	20	**316**	797
Bank balances and cash	20	**4,905**	2,928
		24,762	17,432
Current liabilities			
Accounts payable, deposits received and accrued charges	25	**4,987**	4,305
Amounts due to related companies	23	**95**	69
Amounts due to associates	17	**29**	45
Amounts due to non-controlling shareholders of subsidiaries	24	**462**	475
Loan from a non-controlling shareholder of a subsidiary	26	**300**	442
Tax liabilities		**1,230**	1,404
Bank borrowings – due within one year	27	**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

As of 31 December 2010

	Notes	2010 RMB'million	2009 RMB'million
Capital and reserves			
Share capital	28	**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	27	**11,539**	8,105
Convertible bonds	30	**2,117**	–
Notes	31	**2,945**	–
Derivative financial instruments designated as hedging instruments	32	**218**	211
Loans from non-controlling shareholders of subsidiaries	26	**1,653**	670
Deferred tax liabilities	33	**3,001**	2,192
Defined benefit liabilities	34	**5**	2
		21,478	11,180
Total equity and non-current liabilities		**47,506**	33,754

The consolidated financial statements on pages 113 to 180 were approved and authorised for issue by the Board of Directors on 16 March 2011 and are signed on its behalf by:

Vincent H. S. LO
DIRECTOR

Daniel Y. K. WAN
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to shareholders of the Company												
	Share capital	**Share premium**	**Merger reserve**	**Special reserve**	**Share option reserve**	**Exchange reserve**	**Convertible bond equity reserve**	**Hedge reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
	RMB' million	RMB' million	RMB' million (note 29(a))	RMB' million (note 29(b))	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million (note 29(c))	RMB' million	RMB' million	RMB' million	RMB' million
At 1 January 2009	84	10,689	122	(393)	89	38	–	(136)	603	5,767	16,863	1,312	18,175
Profit for the year	–	–	–	–	–	–	–	–	–	2,673	2,673	(80)	2,593
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(19)	–	–	–	–	(19)	–	(19)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 32)	–	–	–	–	–	–	–	45	–	–	45	–	45
Total comprehensive (expense) income for the year	–	–	–	–	–	(19)	–	45	–	2,673	2,699	(80)	2,619
Recognition of equity-settled share-based payment expenses	–	–	–	–	47	–	–	–	–	–	47	–	47
Bonus issue of shares	8	(8)	–	–	–	–	–	–	–	–	–	–	–
Issue of new shares at a premium	7	1,790	–	–	–	–	–	–	–	–	1,797	–	1,797
Transaction costs attributable to issue of new shares	–	(38)	–	–	–	–	–	–	–	–	(38)	–	(38)
Capital injection	–	–	–	–	–	–	–	–	–	–	–	13	13
Acquisition of additional interests in subsidiaries	–	–	–	(4)	–	–	–	–	–	–	(4)	(46)	(50)
Release of special reserve upon disposal of the related assets	–	–	–	205	–	–	–	–	–	–	205	–	205
Release of special reserve upon recognition of fair value changes of the related assets	–	–	–	91	–	–	–	–	–	–	91	–	91
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(204)	(204)
Total dividends of HK$0.02 paid, comprising 2008 final dividend of HK$0.01 per share and 2009 interim dividend of HK$0.01 per share	–	–	–	–	–	–	–	–	–	(81)	(81)	–	(81)
At 31 December 2009	99	12,433	122	(101)	136	19	–	(91)	603	8,359	21,579	995	22,574
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,809**	**2,809**	**201**	**3,010**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(4)**	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 32)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7)**	**–**	**–**	**(7)**	**–**	**(7)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**(4)**	**–**	**(7)**	**–**	**2,809**	**2,798**	**201**	**2,999**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**19**	**–**	**–**	**–**	**–**	**–**	**19**	**–**	**19**
Issue of convertible bonds (note 30)	**–**	**–**	**–**	**–**	**–**	**–**	**605**	**–**	**–**	**–**	**605**	**–**	**605**
Capital injection	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50**	**50**
Acquisition of additional interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**34**	**–**	**34**	**(34)**	**–**
Release of special reserve upon disposal of the related assets	**–**	**–**	**–**	**30**	**–**	**–**	**–**	**–**	**–**	**–**	**30**	**–**	**30**
Dividend paid to a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Total dividends of HK$0.18 paid, comprising 2009 final dividend of HK$0.12 per share and 2010 interim dividend of HK$0.06 per share	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(800)**	**(800)**	**–**	**(800)**
Shares issued in lieu of cash dividend	**3**	**552**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**555**	**–**	**555**
At 31 December 2010	**102**	**12,985**	**122**	**(71)**	**155**	**15**	**605**	**(98)**	**637**	**10,368**	**24,820**	**1,208**	**26,028**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'million	2009 RMB'million
Operating activities		
Profit before taxation	**4,367**	3,894
Adjustments for:		
Depreciation of property, plant and equipment	**66**	53
Release of prepaid lease payments	**1**	1
Loss on disposal of property, plant and equipment	**1**	–
Net foreign exchange (gain) loss	**(46)**	22
Share of results of associates	**(58)**	(436)
Gain on disposal of investment properties	**(23)**	–
Gain on acquisition of additional equity interests in subsidiaries	**–**	(6)
Finance costs, net of exchange gain	**(42)**	89
Interest income	**(150)**	(149)
Increase in fair value of investment properties	**(2,711)**	(536)
Decrease in defined benefit assets	**3**	6
Equity-settled share-based payment expenses	**19**	47
Release of special reserve	**30**	296
Operating cash flows before movements in working capital	**1,457**	3,281
Increase in accounts receivable, deposits and prepayments	**(2,672)**	(44)
Increase in properties under development for sale	**(4,448)**	(4,148)
Decrease in properties held for sale	**2,619**	2,906
Decrease (increase) in amounts due from related companies	**24**	(11)
Increase in amounts due to related companies	**26**	36
(Decrease) increase in amounts due to associates	**(16)**	45
Increase (decrease) in accounts payable, deposits received and accrued charges	**675**	(113)
Cash (used in) generated from operations	**(2,335)**	1,952
Tax paid	**(745)**	(339)
Net cash (used in) from operating activities	**(3,080)**	1,613

Consolidated Statement of Cash Flows
For the year ended 31 December 2010

	Notes	2010 RMB'million	2009 RMB'million
Investing activities			
Interest received		**114**	77
Purchase of property, plant and equipment		**(33)**	(47)
Additions to investment properties		**(3,426)**	(2,973)
Proceeds from disposal of investment properties		**185**	–
Advance of loans to associates		**–**	(20)
(Increase) decrease in amounts due from associates		**(171)**	303
Acquisition of a subsidiary	35	**(109)**	–
Acquisition of additional equity interests in subsidiaries	36(b)	**–**	(100)
Proceeds from partial disposals of equity interests in subsidiaries		**–**	339
Release of pledged bank deposits		**954**	821
Increase in pledged bank deposits		**(820)**	(1,131)
(Increase) decrease in loans receivable		**(219)**	36
Net cash used in investing activities		**(3,525)**	(2,695)
Financing activities			
Net proceeds on issuance of shares		**–**	1,759
Advance from non-controlling shareholders of subsidiaries		**807**	174
Capital injected by non-controlling shareholders of subsidiaries		**50**	13
New bank and other loans raised		**6,761**	4,182
Repayment of bank loans		**(3,483)**	(2,168)
Repayment of loan from a director		**–**	(567)
Issue of convertible bonds	30	**2,720**	–
Expenses on issue of convertible bonds	30	**(54)**	–
Issue of notes	31	**3,000**	–
Expenses on issue of notes	31	**(60)**	–
Interest and bank charges paid		**(827)**	(766)
Payment of dividends		**(245)**	(81)
Dividend payment to non-controlling shareholders		**(4)**	(204)
Net cash from financing activities		**8,665**	2,342
Net increase in cash and cash equivalents		**2,060**	1,260
Cash and cash equivalents at the beginning of the year		**2,928**	1,671
Effect of foreign exchange rate changes		**(83)**	(3)
Cash and cash equivalents at the end of the year		**4,905**	2,928
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**4,905**	2,928

1. General

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006.

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 46. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. 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 (see Note 30). 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.

2. 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 (note 36(a)). 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:

Impact on basic and diluted earnings per share	Basic earnings per share RMB	Diluted earnings per share RMB
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

2. 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, and that have 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 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of this 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.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The significant accounting policies adopted are set out as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were not allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, based on the carrying amount of the net assets attributable to the change in interests, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

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 where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in the consolidated income statement.

3. Significant Accounting Policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in consolidated income statement for the period in which they arise.

Construction costs incurred for investment properties under construction or development are capitalised as part of the carrying amount of the investment properties under construction or development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of buildings over their estimated useful lives or where shorter, the terms of leasehold land where the buildings are located, using the straight-line method.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than buildings, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments for leasehold land classified as operating leases are charged to the consolidated income statement on a straight-line basis over the period of the land use rights.

Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period.

Properties under development for sales are transferred to properties held for sale when the relevant completion certificates are issued by the respective government authorities.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realised value is determined based on prevailing market conditions.

3. Significant Accounting Policies (Continued)

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries and bank balances and pledged bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss of loans and receivables is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of the amount due from a jointly controlled entity and trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement. When the amount due from a jointly controlled entity and trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables (Continued)

If, in a subsequent period, the amount of impairment loss of loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into the Company's own equity instruments, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Notes

At the date of issue, the net proceeds received were assigned to the notes according to their fair values. Transaction costs are included in the carrying amount of the notes and amortised over the period of the notes using the effective interest method.

Other financial liabilities

The Group's other financial liabilities (including accounts payable, amounts due to related companies, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in consolidated income statement depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement as part of other income or other expenses. Amounts deferred in equity are reclassified in the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the consolidated income statement.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

3. Significant Accounting Policies (Continued)

Derecognition (Continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in the consolidated income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the consolidated income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to the consolidated income statement on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Equity-settled share-based payment transactions

Share options granted to employees and directors

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in consolidated income statement, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

3. Significant Accounting Policies (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Government grants

Government grants are recognised in the consolidated income statement over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable for expenses or losses already incurred are recognised in the consolidated income statement in the period when they become receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from properties developed for sale in the ordinary business is recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on straight-line basis over the lease term.

Revenue from serviced apartment operation is recognised in the consolidated income statement upon the provision of the services.

Property management, project management and service fees are recognised as revenue in the consolidated income statement on an appropriate basis over the relevant period in which the services are rendered.

Interest income from a financial asset is recognised when it is possible that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, the Directors of the Company have made the following judgements concerning key sources of estimation uncertainty at the end of the reporting period. The key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Investment properties

Completed investment properties and investment properties under construction or development stated at fair value are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. Turnover and Segmental Information

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

	2010 **RMB'million**	2009 RMB'million
Property development:		
Property sales	**4,133**	6,078
Property investment:		
Rental income received 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

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.

5. Turnover and Segmental Information (Continued)

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

For the 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
Other Information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment properties and property, plant and equipment	23	47	5	75
Development costs for investment properties under construction or development	–	3,790	–	3,790
Development costs for properties under development held for sale	4,884	–	–	4,884
Depreciation of property, plant and equipment	13	39	14	66
Allowance for bad and doubtful debts	–	4	–	4
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Increase in fair value of investment properties	–	2,711	–	2,711
Financial Position				
Assets				
Segment assets	19,070	27,571	58	46,699
Interests in associates				920
Loans to associates				1,270
Amounts due from associates				318
Unallocated corporate assets				7,046
Consolidated total assets				56,253
Liabilities				
Segment liabilities	(4,427)	(464)	(3)	(4,894)
Amounts due to associates				(29)
Unallocated corporate liabilities				(25,302)
Consolidated total liabilities				(30,225)

5. Turnover and Segmental Information (Continued)

For the 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
Other Information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment properties and property, plant and equipment	10	8	32	50
Development costs for investment properties under construction or development	–	3,548	–	3,548
Development costs for properties under development held for sale	4,205	–	–	4,205
Depreciation of property, plant and equipment	10	27	16	53
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Increase in fair value of investment properties	–	536	–	536
Financial Position				
Assets				
Segment assets	13,430	21,639	59	35,128
Interests in associates				862
Loans to associates				1,273
Amounts due from associates				147
Unallocated corporate assets				5,182
Consolidated total assets				42,592
Liabilities				
Segment liabilities	(3,618)	(643)	(1)	(4,262)
Amounts due to associates				(45)
Unallocated corporate liabilities				(15,711)
Consolidated total liabilities				(20,018)

5. Turnover and Segmental Information (Continued)

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates and finance costs. This is the measure reported to the chief operating decision makers that are the Directors of the Company for the purpose of resource allocation and performance assessment.

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries, deferred tax assets, amounts due from related companies, pledged bank deposits, bank balances and cash and other unallocated corporate assets; and

- all liabilities are allocated to reportable segments other than amounts due to associates, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, bank borrowings, tax liabilities, deferred tax liabilities, derivative financial instruments designated as hedging instruments and other unallocated corporate liabilities.

Over 90% of the Group's turnover and contribution to operating profit is attributable to customers in the PRC. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's assets and liabilities is shown as the Group's assets and liabilities are substantially located in the PRC.

6. Other Income

	2010	2009
	RMB'million	RMB'million
Interest income from banks	**75**	56
Interest income on non-current accounts receivable from sales of properties	**8**	7
Imputed interest income on non-current accounts receivable from sales of properties	**–**	17
Interest income on consideration receivable on partial disposals of equity interests in subsidiaries	**–**	2
Interest income from amounts due from associates	**8**	11
Interest income from loans to associates	**23**	–
Imputed interest income from loans to associates	**36**	55
Interest income from a fellow subsidiary	**–**	1
Guarantee fee income from a non-controlling shareholder of a subsidiary	**19**	–
Sundry income	**24**	1
Grants received from local government	**33**	20
	226	170

7. Operating Profit

	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

8. Finance Costs, Net of Exchange Gain

	2010 RMB'million	2009 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 (notes 24 and 41(b))	**–**	46
Interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 26 and 41(b))	**125**	56
Interest on loan from a director wholly repayable within five years (note 41(b))	**–**	35
Imputed interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 26 and 41(b))	**–**	1
Interest on convertible bonds (note 30)	**56**	–
Interest on notes (note 31)	**5**	–
Add: Net interest expenses from interest rate swaps designated as cash flow hedge (note 32)	**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 changed 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.

9. Taxation

	2010 RMB'million	2009 RMB'million
PRC Enterprise Income Tax		
– Current provision	**335**	537
Deferred taxation (note 33)		
– Provision for the year	**807**	297
PRC Land Appreciation Tax		
– Provision for the year	**215**	467
	1,357	1,301

9. 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, borrowings costs and the relevant property development expenditures.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2010 RMB'million	2009 RMB'million
Profit before taxation	**4,367**	3,894
PRC Enterprise Income Tax at 25% (2009: 25%)	**1,092**	974
PRC Land Appreciation Tax	**215**	467
Tax effect of PRC Land Appreciation Tax	**(54)**	(117)
Deferred tax provided for withholding tax on income derived in the PRC	**76**	33
Tax effect of share of results of associates	**(14)**	(109)
Tax effect of expenses not deductible for tax purposes	**122**	74
Tax effect of income not taxable for tax purposes	**(85)**	(29)
Tax effect of tax losses not recognised	**6**	10
Tax effect of utilisation of tax losses previously not recognised	**(1)**	(2)
Tax charge for the year	**1,357**	1,301

10. Directors' Emoluments and Five Highest Paid Employees

The emoluments paid or payable to the directors of the Company were as follows:

Name of director	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive payments RMB'000	Retirement benefit costs RMB'000	Share-based payment expenses RMB'000	2010 Total RMB'000	2009 Total RMB'000
Mr. Vincent H.S. LO		–	–	–	–	–	–	–
Mr. Louis H.W. WONG		–	3,254	4,336	731	1,013	9,334	6,569
Mr. Daniel Y.K. WAN		–	3,334	7,837	–	–	11,171	5,828
Mr. Freddy C.L. LEE	(a)	–	2,926	3,752	754	773	8,205	–
Mr. Aloysius T.S. LEE	(b)	–	–	–	–	–	–	576
Sir John R.H. BOND	(c)	348	–	–	–	–	348	308
The Honourable LEUNG Chun Ying	(d)	261	–	–	–	–	261	264
Dr. Edgar W.K. CHENG	(c)	349	–	–	–	–	349	353
Dr. William K.L. FUNG	(c)	391	–	–	–	–	391	374
Professor Gary C. BIDDLE	(c)	522	–	–	–	–	522	485
Dr. Roger L. McCARTHY	(c)	349	–	–	–	–	349	353
Mr. David J. SHAW	(c)	261	–	–	–	–	261	264
Total for 2010		2,481	9,514	15,925	1,485	1,786	31,191	15,374
Total for 2009		2,401	8,774	5,045	896	(1,742)	15,374	

Notes:
(a) Executive director appointed during the year
(b) Executive director resigned in year 2009
(c) Independent non-executive directors
(d) Non-executive director

Of the five highest paid individuals in the Group, three (2009: two) are executive directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2009: three) individuals are as follows:

	2010 RMB'million	2009 RMB'million
Salaries and other benefits	5	7
Performance related incentive payments	3	4
Retirement benefit costs	1	2
Share-based payment expenses	1	3
	10	16

10. Directors' Emoluments and Five Highest Paid Employees (Continued)

The emoluments of the remaining highest paid employees were within the following bands:

	2010 Number of employees	2009 Number of employees
Emolument bands		
HK$5,000,001 – HK$5,500,000	1	–
HK$5,500,001 – HK$6,000,000	1	1
HK$6,000,001 – HK$6,500,000	–	1
HK$7,000,001 – HK$7,500,000	–	1
	2	3

No directors waived any emoluments in the years ended 31 December 2010 and 31 December 2009.

11. Dividends

	2010 RMB'million	2009 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 28.

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.

12. 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:

Earnings

	2010 RMB'million	2009 RMB'million
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

Number of shares

	2010 'million	2009 'million
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
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.

13. Investment Properties

	Completed investment properties RMB'million	Investment properties under construction or development RMB'million	Total RMB'million
At 1 January 2009	8,466	–	8,466
Reclassified from prepaid lease payments and properties under development (notes 15 and 16)	–	8,657	8,657
Additions	3	3,548	3,551
Transfer upon completion	660	(660)	–
Transfer from properties, plant and equipment (note 14)	13	–	13
Transfer to properties, plant and equipment (note 14)	(17)	–	(17)
Increase in fair value recognised in the consolidated income statement	259	277	536
At 31 December 2009	9,384	11,822	21,206
At 31 December 2009			
Stated at fair value	9,384	6,129	15,513
Stated at cost	–	5,693	5,693
At 1 January 2010	**9,384**	**11,822**	**21,206**
Additions	**42**	**3,790**	**3,832**
Acquisition of a subsidiary (note 35)	**–**	**67**	**67**
Eliminated upon disposal	**(162)**	**–**	**(162)**
Transfer upon completion	**3,965**	**(3,965)**	**–**
Transfer from properties, plant and equipment (note 14)	**39**	**–**	**39**
Transfer to properties, plant and equipment (note 14)	**(258)**	**–**	**(258)**
Transfer to prepaid lease payments (note 15)	**(31)**	**–**	**(31)**
Transfer to properties under development for sale (note 16)	**–**	**(511)**	**(511)**
Increase in fair value recognised in the consolidated income statement	**1,140**	**1,571**	**2,711**
At 31 December 2010	**14,119**	**12,774**	**26,893**
At 31 December 2010			
Stated at fair value	**14,119**	**6,815**	**20,934**
Stated at cost	**–**	**5,959**	**5,959**

The investment properties are all situated in the PRC under long/medium-term leases. All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

In circumstances where the fair value of an investment property under construction or development is not reliably determinable but the fair value of the property is expected to be reliably determinable when construction is completed, such investment properties under construction or development are measured at cost until either its fair value becomes reliably determinable or construction is completed, whichever is the earlier.

13 Investment Properties (Continued)

The fair values of the Group's investment properties at 31 December 2010 and 31 December 2009 and at dates of transfer upon completion of development of investment properties under construction or development have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuers not connected to the Group.

For completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term.

For investment properties under construction or development, the valuations have been arrived at adopting market-based valuation approach with reference to sales evidence of comparable properties with adjustments made to account for any differences and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations have also taken into account the relevant future cost of development, including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the properties.

14. Property, Plant and Equipment

	Land and buildings RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
At Cost			
At 1 January 2009	284	177	461
Transfer from investment properties (note 13)	17	–	17
Transfer to investment properties (note 13)	(13)	–	(13)
Transfer from properties under development (note 16)	16	–	16
Additions	–	47	47
Disposals	–	(3)	(3)
At 31 December 2009	304	221	525
Transfer from investment properties (note 13)	**258**	**–**	**258**
Transfer to investment properties (note 13)	**(42)**	**–**	**(42)**
Additions	**5**	**28**	**33**
Disposals	**–**	**(2)**	**(2)**
At 31 December 2010	**525**	**247**	**772**
Accumulated Depreciation			
At 1 January 2009	34	84	118
Charge for the year	7	47	54
Eliminated on disposals	–	(3)	(3)
At 31 December 2009	41	128	169
Charge for the year	**18**	**49**	**67**
Transfer to investment properties (note 13)	**(3)**	**–**	**(3)**
Eliminated on disposals	**–**	**(1)**	**(1)**
At 31 December 2010	**56**	**176**	**232**
Carrying Values			
At 31 December 2010	**469**	**71**	**540**
At 31 December 2009	263	93	356

14. Property, Plant and Equipment (Continued)

The owner-occupied leasehold land and buildings amounted to RMB48 million (2009: RMB55 million) at the end of the reporting period are included in property, plant and equipment, as in the opinion of the Directors, allocations between the land and buildings elements could not be made reliably.

The land and buildings are all situated in the PRC and are depreciated using the straight-line method over their estimated useful lives of 50 years or, where shorter, the terms of leasehold land where the buildings are located.

Furniture, fixtures, equipment and motor vehicles are depreciated using the straight-line method after taking into account of their estimated residual values over their estimated useful lives of 3 to 5 years.

15. Prepaid Lease Payments

	2010 RMB'million	2009 RMB'million
At beginning of the year	43	6,290
Reclassified to investment properties (note 13)	–	(6,246)
Transfer from investment properties (note 13)	31	–
Release for the year (note 7)	(1)	(1)
At end of the year	73	43

The cost of prepaid lease payments represents the amount paid to the government of the PRC with lease terms ranging from 40 to 70 years.

16. Properties Under Development

	Non-current		Current	
	2010 RMB'million	2009 RMB'million	2010 RMB'million	2009 RMB'million
At beginning of the year	–	2,411	11,532	7,786
Reclassified to investment properties (note 13)	–	(2,411)	–	–
Transfer from investment properties (note 13)	–	–	511	–
Additions	–	–	4,839	4,205
Acquisition of a subsidiary (note 35)	–	–	45	–
Transfer to properties held for sale	–	–	(2,619)	(443)
Transfer to property, plant and equipment (note 14)	–	–	–	(16)
At end of the year	–	–	14,308	11,532

The properties under development are all situated in the PRC.

Included in the current portion of properties under development as at 31 December 2010 is carrying value of RMB11,524 million (2009: RMB9,322 million) which represents the carrying value of the properties expected to be completed after more than twelve months from the end of the reporting period.

17. Interests in Associates/Loans to Associates/Amounts Due from Associates/ Amounts Due to Associates

	2010	2009
	RMB'million	RMB'million
Cost of investments, unlisted	**357**	357
Share of post-acquisition profits	**563**	505
	920	862
Loans to associates	**1,270**	1,273
Amounts due from associates	**318**	147
Amounts due to associates	**29**	45

The summarised financial information in respect of the Group's associates is set out below:

	2010	2009
	RMB'million	RMB'million
Total assets	**8,822**	6,716
Total liabilities	**(6,564)**	(4,568)
Net assets	**2,258**	2,148
Group's share of net assets of associates	**920**	862

	2010	2009
	RMB'million	RMB'million
Revenue	**–**	–
Profit for the year	**94**	708
Group's share of results of associates for the year	**58**	436

17. Interests in Associates/Loans to Associates/Amounts Due from Associates/ Amounts Due to Associates (Continued)

Particulars of the Group's principal associates at 31 December 2010 and 31 December 2009 are as follows:

Name of associate	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Place of incorporation/ registration and operations	Principal activities
Richcoast Group Limited ("Richcoast") (note)	Sino-Foreign Joint Venture	61.54%	British Virgin Islands ("BVI")	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Ruisheng Software Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Delan Software Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Fazhan Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Kaifa Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development

Note:
The Group does not have control over Richcoast because the Group has the power to appoint only 4 out of the 10 directors of that company.

Pursuant to the Joint Venture Agreement dated 25 May 2007 entered into among Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of Shui On Construction and Materials Limited (an associate of Shui On Company Limited "SOCL", a substantial shareholder of the Company) and Many Gain International Limited ("Many Gain"), an independent third party, whereby the parties agreed to form a joint venture company, Richcoast, which is owned 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone, and Many Gain, respectively, for the development and operation of Dalian Tiandi project in Dalian, the PRC.

Loans to associates represent the loans to subsidiaries of Richcoast for financing the development of Dalian Tiandi project. Pursuant to the Joint Venture Agreement, the loans are unsecured, interest free and with no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. As at 31 December 2010 of the loans to associates, an amount of RMB465 million (2009: nil) are bearing interest at a rate of 5% per annum and the remaining balance of RMB805 million (2009: RMB1,273 million) are carried at amortised cost using the effective interest rate of 5.4% (2009: 7.3%) per annum.

The amounts due from associates are unsecured, interest bearing at 5.7% (2009: 5.8%) per annum and repayable on demand.

The amounts due to associates are unsecured, interest free and repayable on demand.

18. Interest in a Jointly Controlled Entity/Amount Due from a Jointly Controlled Entity

	2010 RMB'million	2009 RMB'million
Cost of investment, unlisted	–	–
Share of post-acquisition losses	–	–
	–	–
Amount due from a jointly controlled entity	11	11
Less: Allowance	(11)	(11)
	–	–

Particulars of the Group's jointly controlled entity at 31 December 2010 and 2009 are as follows:

Name of jointly controlled entity	Form of legal entity	Proportion of nominal value of issued ordinary share capital held by the Group	Place of incorporation and operation	Principal activity
Crystal Jade Food and Beverage (Hangzhou) Limited	Limited liability company	50%	Hong Kong	Investment holding

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

19. Accounts Receivable, Deposits and Prepayments

	2010 RMB'million	2009 RMB'million
Non-current accounts receivable comprise:		
Deferred rental receivables	64	59
Current accounts receivable comprise:		
Trade receivables (note a)	146	186
Prepayments of relocation costs (note b)	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.

19. Accounts Receivable, Deposits and Prepayments (Continued)

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts, if any) at the end of each reporting period:

	2010 RMB'million	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
	146	186

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB24 million (2009: RMB14 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired:

	2010 RMB'million	2009 RMB'million
Within 30 days	20	5
31 – 60 days	1	3
61 – 90 days	–	2
Over 90 days	3	4
	24	14

Movement in the allowance for bad and doubtful debts:

	2010 RMB'million	2009 RMB'million
Balance at beginning of the year	–	–
Impairment losses recognised on trade receivables	4	–
Amounts written off as uncollectible	(4)	–
Balance at end of the year	–	–

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the date of the reporting period. Allowance for bad and doubtful debts are generally not required as the Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts.

19. Accounts Receivable, Deposits and Prepayments (Continued)

Notes:

(a) The amounts are unsecured and repayable on or before 31 December 2010 as follows:

	2010 RMB'million	2009 RMB'million
Current accounts receivable		
Interest free	**146**	63
Interest bearing (note (i))	**–**	123
	146	186

Note (i): The interest bearing receivables had the following terms:

- the whole amount bore interest at simple interest rate of 6% per annum from 1 January 2009 to 31 December 2009; and
- the full amount bore interest at simple interest rate of 8% per annum in 2010. The amount is fully settled during the year.

These receivables are carried at amortised cost at effective interest rate of 8% per annum.

(b) The balance represents the amounts that will be capitalised to properties under development for sale in accordance with the Group's normal operating cycle, and not expected to be realised within twelve months from the end of the reporting period.

20. Pledged Bank Deposits/Bank Balances

Pledged bank deposits represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to RMB1,569 million (2009: RMB1,222 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

Bank balances carry interest at market rates which range from 0.4% to 1.4% (2009: 0.4% to 1.4%) per annum. The pledged bank deposits carry interest at fixed rates ranging from 0.4% to 1.4% (2009: 0.4% to 1.4%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

21. Properties Held For Sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost.

22. Loans Receivable

The loans are denominated in RMB, unsecured, fixed interest bearing ranging from 5.9% to 6.4% (2009: 5.9% to 7.5%) per annum and repayable on or before December 2011.

23. Amounts Due from/to Related Companies

The amounts are unsecured, interest free and repayable on demand. Related companies are subsidiaries or associates of SOCL.

24. Amounts Due from/to Non-controlling Shareholders of Subsidiaries

Particulars of the amounts due from/to non-controlling shareholders of subsidiaries are as follows:

	2010 RMB'million	2009 RMB'million
Amounts due from non-controlling shareholders of subsidiaries		
Interest free	**38**	17
Amounts due to non-controlling shareholders of subsidiaries		
Interest free	**462**	191
Interest bearing at 5% per annum	**–**	84
Interest bearing at 7.6% per annum	**–**	200
	462	475

The amounts due from/to non-controlling shareholders of subsidiaries are unsecured and repayable on demand.

25. Accounts Payable, Deposits Received and Accrued Charges

	2010 RMB'million	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.

26 Loans From Non-controlling Shareholders of Subsidiaries

	2010 RMB'million	2009 RMB'million
Current	**300**	442
Non-current	**1,653**	670
	1,953	1,112

The carrying amount of the loans from non-controlling shareholders of subsidiaries are analysed as follows:

Denominated in	Interest rate per annum	2010 RMB'million	2009 RMB'million
RMB	110% of People's Bank of China ("PBOC") Prescribed Interest Rate (note a)	**1,003**	–
RMB	105.87% of PBOC Prescribed Interest Rate (note b)	**300**	–
United States dollars ("US$")	Interest free (note c)	**–**	442
US$	110% of PBOC Prescribed Interest Rate (2009: 8.4%) (note a)	**650**	670
		1,953	1,112

Notes:

(a) The loans are unsecured and will not be demanded for payment, until the group subsidiaries are in a position to repay the loans, which are to be mutually agreed between both parties. The Directors are in the opinion that the loans are not repayable in the next twelve months from the end of the reporting period.

(b) The amount is unsecured and repayable in April 2011.

(c) The amount was unsecured and settled during the year.

27. Bank and Other Borrowings

	2010 RMB'million	2009 RMB'million
Bank borrowings repayable within a period of:		
– Not more than 1 year or on demand	**1,644**	2,098
– More than 1 year, but not exceeding 2 years	**6,321**	934
– More than 2 years, but not exceeding 5 years	**3,894**	6,684
– More than 5 years	**993**	487
	12,852	10,203
Other borrowings repayable within a period of:		
– More than 2 years, but not exceeding 5 years	**331**	–
	13,183	10,203
Less: Amount due within one year shown under current liabilities	**(1,644)**	(2,098)
Amount due after one year	**11,539**	8,105

27. Bank and Other Borrowings (Continued)

The carrying amount of the Group's bank and other borrowings are analysed as follows:

Denominated in	Interest rate	2010 RMB'million	2009 RMB'million
RMB	90% to 115% (2009: 90% to 115%) of PBOC Prescribed Interest Rate	**4,576**	3,595
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 2% to 4.5% (2009: HIBOR plus 2% to 4.5%)	**8,276**	6,349
US$	London Interbank Offered Rates ("LIBOR") plus 14% (2009: LIBOR plus 0% to 2.5%)	**331**	259
		13,183	10,203

As at 31 December 2010, the weighted average effective interest rate on the bank and other borrowings was 4.4% (2009: 4.1%), and are further analysed as follows:

	2010	2009
Denominated in RMB	**5.7%**	5.7%
Denominated in HK$	**3.3%**	3.3%
Denominated in US$	**14.3%**	2.8%

The bank and other borrowings at the end of the reporting period were secured by the pledge of assets as set out in note 38.

28. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2009	12,000,000,000	30,000	4,185,597,171	10,464
Issue of bonus shares (note 11)	–	–	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 11)	**–**	**–**	**188,931,093**	**473**
At 31 December 2010	**12,000,000,000**	**30,000**	**5,211,587,981**	**13,029**

	2010 RMB'million	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.

28. Share Capital (Continued)

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.

29. Other Reserves

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve

Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in the consolidated income statement upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

During the year ended 31 December 2010, an amount of RMB30 million (2009: RMB205 million) was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates. In addition, an amount of RMB91 million was released to the consolidated income statement upon recognition of fair value changes of the related assets during the year ended 31 December 2009.

(c) Other reserve comprises:

(i) An amount of RMB483 million represents payable waived in 2004 by Shui On Investment Company Limited, a subsidiary of SOCL, in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of Shui On Investment Company Limited, and recharged to certain subsidiaries of the Company.

(ii) Capital contribution of RMB21 million arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) Non-distributable reserve of RMB99 million arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC in 2006.

(iv) An amount of RMB34 million represents the difference between the fair value of the consideration paid and the carrying value of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd being acquired from the non-controlling interests in 2010 (note 36(a)).

30. Convertible Bonds

On 29 September 2010, the Company issued RMB denominated US$ settled 4.5% convertible bonds with the aggregate principal amount of RMB2,720 million with initial conversion price of HK$4.87 at a fixed exchange rate of RMB1.00 to HK$1.1439. An adjustment has been made to the conversion price from HK$4.87 to HK$4.78 as a result of the interim dividend for 2010.

Conversion may occur at any time between 10 November 2010 and 19 September 2015. The Company will, at the option of the holder of any bond, redeem all or some only of such holder's bonds on 29 September 2013 at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

If the bonds have not been converted or redeemed at the date of maturity, they will be redeemed at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

The Company may at any time after 29 September 2013 redeem all, but not some only, of the bonds for the time being outstanding at the US$ equivalent of their RMB principal amount, together with interest accrued to the date fixed for redemption, provided that the closing price of the shares of the Company translated into RMB at the prevailing rate applicable to the relevant trading day, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the conversion price then in effect, translated into RMB at the fixed rate of RMB1.00 = HK$1.1439.

The Company may at any time redeem all, but not some only, of the bonds being outstanding at a redemption price equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest to the date fixed for redemption, if prior to the date of notice at least 90% in RMB principal amount of the bonds originally issued has already been converted, redeemed or purchased and cancelled.

The convertible bonds contain two components: equity and liability elements. The equity element of RMB605 million is presented in equity heading "convertible bond equity reserve". The movement of the liability component of the convertible bonds for the year is set out below:

	2010 **RMB'million**	2009 RMB'million
At 1 January	**–**	–
Issue of convertible bonds	**2,115**	–
Expenses on issue of convertible bonds	**(54)**	–
Interest charged during the year	**56**	–
At 31 December	**2,117**	–

The effective interest rate of the liability component on initial recognition is 10.7% per annum.

The fair value of the liability component at inception date is determined based on the valuation carried out by an independent valuer.

31. Notes

	2010 RMB'million	2009 RMB'million
At 1 January	–	–
Issue of senior notes due 2013	3,000	
Expenses on issue of senior notes	(60)	–
Interest charged during the year	5	–
At 31 December	2,945	–

On 23 December 2010, Shui On Development (Holding) Limited ("SOD"), a wholly owned subsidiary of the Company, issued RMB3,000 million senior notes with a maturity of three years due on 23 December 2013 (the "2013 Notes"). The 2013 Notes are denominated in RMB and settled in US dollars, and bear coupon at 6.875% per annum payable semi-annually in arrears.

The principal terms of the notes

The 2013 Notes are:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefore; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2013 Notes, SOD may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2013 Notes.

At any time on or before all the 2013 Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to shareholders after taking into account certain adjustments prescribed in the terms of the 2013 Notes.

32. Derivative Financial Instruments Designated as Hedging Instruments

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair value is determined based on valuation provided by the counterparty financial institution.

At 31 December 2010 and 31 December 2009, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interests at variable rates at HIBOR and pay interest at fixed rates ranging from 0.95% to 3.58% (2009: 3.32% to 3.58%) based on the notional amounts of HK$5,581 million (2009: HK$4,581 million) in aggregate. The Group designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group amounting to HK$5,581 million (2009: HK$4,581 million) which bear variable interest rates at HIBOR plus spread ranging from 2.75% to 3.65% (2009: 2.75% to 2.90%) and mature on or before March 2013. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the year ended 31 December 2010, fair value loss arising from the interest rate swaps of RMB7 million (2009: gain of RMB45 million) was deferred in equity as hedge reserve, which is expected to be recognised in the consolidated income statement at various dates upon the interest payments of the related bank borrowings are expected to settle.

33. Deferred Tax Assets/Liabilities

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Recognition of sales and related cost of sales	Withholding tax on income derived in the PRC	Others	Total
	RMB'million	RMB'million	RMB'million	RMB' million	RMB' million	RMB' million	RMB' million
At 1 January 2009	783	1,130	(31)	(40)	19	(105)	1,756
Charge (credit) to consolidated income statement	130	134	(9)	(29)	33	38	297
At 31 December 2009	913	1,264	(40)	(69)	52	(67)	2,053
Charge (credit) to consolidated income statement	**112**	**678**	**20**	**34**	**76**	**(113)**	**807**
Transfer to current taxation	**–**	**(11)**	**–**	**–**	**(10)**	**–**	**(21)**
At 31 December 2010	**1,025**	**1,931**	**(20)**	**(35)**	**118**	**(180)**	**2,839**

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2010	2009
	RMB'million	RMB'million
Deferred tax assets	**(162)**	(139)
Deferred tax liabilities	**3,001**	2,192
	2,839	2,053

At the end of the reporting period, the Group had unused tax losses of RMB511 million (2009: RMB633 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB79 million (2009: RMB160 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB432 million (2009: RMB473 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2010	2009
	RMB'million	RMB'million
2010	**–**	46
2011	**44**	45
2012	**73**	73
2013	**241**	268
2014	**19**	41
2015	**55**	–
	432	473

34. Provident and Retirement Fund Schemes

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was set up by the Group during 2004. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff costs during the year ended 31 December 2010 were less than RMB1 million.

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. The current employer contribution rate ranges from 5% to 10% of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2010 and 31 December 2009 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

		2010		2009
Discount rate		**2.7%**		2.6%
Expected rate of salary increase	**2011+:**	**5.0%**	2010:	4.0%
			2011+:	5.0%
Expected rate of return on plan assets		**7.00%**		7.25%

The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31 December 2010 was RMB54 million (2009: RMB57 million), representing 63% (2009: 61%) of the benefits that had accrued to members.

34. Provident and Retirement Fund Schemes (Continued)

Hong Kong (Continued)

The Plan (Continued)

Amounts recognised in the consolidated income statement for the year ended 31 December 2010 and 31 December 2009 in respect of the defined benefit plan are as follows:

	2010 RMB'million	2009 RMB'million
Current service cost	3	4
Interest cost	2	1
Expected return on plan assets	(4)	(3)
Net actuarial losses recognised during the year	3	5
Net amount charged to consolidated income statement as staff costs	4	7

The actual returns on plan assets allocated to the Group for the year ended 31 December 2010 were gains of RMB6 million (2009: RMB15 million).

The amounts included in the consolidated statement of financial position arising from the Group's obligations in respect of the Plan are as follows:

	2010 RMB'million	2009 RMB'million
Present value of funded defined benefit obligations	85	94
Unrecognised actuarial losses	(27)	(35)
Fair value of plan assets	(53)	(57)
Defined benefit liabilities	5	2

Movements in the present value of the funded defined benefit obligations in the current year were as follows:

	2010 RMB'million	2009 RMB'million
At 1 January	94	99
Exchange realignment	(2)	–
Current service cost	3	4
Interest cost	2	1
Contributions from plan participants	1	1
Actuarial gains	(3)	(8)
Transfer-out liabilities	–	(2)
Benefits paid	(10)	(1)
At 31 December	85	94

34. Provident and Retirement Fund Schemes (Continued)

Hong Kong (Continued)

The Plan (Continued)

Movements in the fair value of the plan assets in the current year were as follows:

	2010 RMB'million	2009 RMB'million
At 1 January	**(57)**	(44)
Exchange realignment	**2**	–
Expected return on plan assets	**(4)**	(3)
Actuarial gains	**(2)**	(11)
Contributions from the employer	**(1)**	(1)
Contributions from plan participants	**(1)**	(1)
Benefits paid	**10**	1
Transfer-in assets	**–**	2
At 31 December	**(53)**	(57)

The major categories of plan assets at the end of the reporting period are as follows:

	2010 RMB'million	2009 RMB'million
Equities	**30**	30
Hedge funds	**12**	15
Bonds and cash	**11**	12
	53	57

The Group expects to make a contribution of RMB2 million (2009: RMB1 million) to the defined benefit plans during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

35. Acquisition of a Subsidiary

During the year ended 31 December 2010, a subsidiary of the Company acquired the entire interest of a company incorporated in the PRC from an independent third party for a cash consideration of RMB109 million. The acquired company owned the property development right on a piece of land adjacent to Shanghai Rui Hong Xin Cheng project.

The acquisition was accounted for as purchase of assets and liabilities rather than as business combination as the subsidiary acquired is an investment and property holding company with no business concerns.

The net assets acquired in the transaction were as follows:

	RMB'million
Investment properties under construction or development	67
Properties under development for sale	45
Accounts receivable, deposits and prepayments	4
Other payables and accrued charges	(7)
Net assets acquired	109
Cash consideration	109

During the year ended 31 December 2010, the acquired company did not contribute any turnover or results to the Group.

36. Acquisition of Additional Equity Interests in Subsidiaries

(a) 16.8% equity interest in Shanghai Yang Pu Centre Development Co., Ltd. ("KIC")

Pursuant to an amendment agreement dated 14 August 2009 (the "Amendment Agreement") entered into between Bright Continental Limited ("BCL", an indirect wholly owned subsidiary of the Company) and a non-controlling shareholder of KIC, the registered capital in KIC was increased from US$60,500,000 to US$137,500,000, by US$77,000,000, whereby BCL injected the entire portion of the increase in equity capital from US$60,500,000 to US$137,500,000 and at a premium of US$8,470,000 in cash (being US$85,470,000 in total). The non-controlling shareholder of KIC did not participate in injecting any additional equity capital into KIC. Upon completion of the Amendment Agreement in the year ended 31 December 2010, the interest of BCL in the equity capital of KIC was increased from 70% to 86.8% by 16.8% and interest of the non-controlling shareholder of KIC was diluted from 30% to 13.2% by 16.8%.

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 were recognised directly in equity (note 29(c)).

(b) 30% equity interest in Globe State Properties Limited ("Globe State")

On 29 July 2009, the Group entered into a sale and purchase agreement with the non-controlling shareholders of Globe State, an indirect 70% owned subsidiary of the Company, to acquire their entire interests in Globe State, being 30% equity interests in the issued share capital of Globe State, together with an amount due by Globe State to the non-controlling shareholders of RMB56 million, for a total cash consideration of RMB100 million. One third of the consideration was paid in July 2009, and the remaining two-thirds of the consideration was paid in December 2009 upon the completion of the sale and purchase agreement.

A gain of RMB6 million arose from the above acquisition, representing the excess of the Group's share of additional interest in the fair value of the net assets of Globe State attributable to the acquisition over the cost of the acquisition, has been recognised in the consolidated income statement for the year ended 31 December 2009.

37. Share-based Payment Transactions

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 31 December 2010, 142,152,612 share options (2009: 166,375,605 share options) remained outstanding under the Scheme, representing 2.7% (2009: 3.3%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

On 4 September 2009, an aggregate of 79,937,500 options granted on 3 November 2008 with exercise price of HK$1.60 were being replaced with an aggregate of 23,728,888 options at exercise price of HK$4.90. Other than the increase in exercise price and reduction in the number of options, the vesting period and other terms of these options remained unchanged.

The increase in exercise price and reduction in number of options did not increase the fair value of the share-based payment arrangement. Details of the replacement options are as follows:

Date of grant of replacement options	Exercise price HK$	Closing share price at date of replacement HK$	Weighted average estimated fair value at date of replacement HK$	Number of share options granted
4 September 2009	4.90	4.90	2.04	23,728,888

The options granted on 4 September 2009 were identified, on the date they were granted, as replacement options for the cancelled original options with exercise price of HK$1.60. The grant of replacement options would not have occurred without the cancellation of the original options with exercise price of HK$1.60 and vice versa. Accordingly, the replacement is accounted for as a modification to the terms and conditions on which the original options were granted.

These fair values of the share options of the Company immediately before and after modification at 4 September 2009 were calculated using the Binomial model. The inputs into the model were as follows:

	Before modification	After modification
Expected volatility	50%	50%
Expected life	6.16 to 8.16 years	6.16 to 8.16 years
Risk-free rate	1.86%	1.86%
Expected dividend yield	2.0%	2.0%

The risk-free interest rates are taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date. Expected volatility for the replacement grant during the year ended 31 December 2009 was determined with reference to the movement of the Company's and comparators' share prices over the last 6 years before the date of grant.

Other than the replacement of options as mentioned above, no share options were granted during the years ended 31 December 2010 and 2009.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

37. Share-based Payment Transactions (Continued)

The vesting period and the exercisable period of the share options granted to eligible employees and directors are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary to the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary to the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary to the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary to the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary to the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary to the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary to the date of grant

The vesting period and the exercisable period of the share options granted to a consultant are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary to the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary to the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary to the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary to the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary to the date of grant

The share options granted to independent non-executive directors, a non-executive director and a consultant are unconditional and fully vested at the date of grant and exercisable on or before the 5th anniversary to the date of grant.

The Group recognised the total expense of RMB19 million (2009: RMB47 million) in the consolidated income statement in relation to share options granted by the Company.

During the years ended 31 December 2010 and 31 December 2009, none of the share options were exercised.

37. Share-based Payment Transactions (Continued)

The movement in the Company's share options is set out below:

Date of grant	Exercise price HK$	At 1 January 2010	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2010
		Number of options				
20 June 2007	7.00	106,632,098	–	–	(15,241,206)	91,390,892
1 August 2007	8.18	1,269,802	–	–	(159,869)	1,109,933
2 October 2007	10.00	2,468,768	–	–	(402,312)	2,066,456
1 November 2007	11.78	1,301,615	–	–	(577,065)	724,550
3 December 2007	9.88	1,234,329	–	–	(653,463)	580,866
2 January 2008	8.97	3,358,409	–	–	(180,400)	3,178,009
1 February 2008	8.05	1,717,382	–	–	(272,500)	1,444,882
3 March 2008	7.68	735,670	–	–	(102,662)	633,008
2 May 2008	7.93	7,238,273	–	–	(1,816,341)	5,421,932
2 June 2008	7.34	15,231,560	–	–	(1,565,848)	13,665,712
2 July 2008	6.46	1,482,175	–	–	(534,944)	947,231
4 September 2009	4.90	23,705,524	–	–	(2,716,383)	20,989,141
		166,375,605	–	–	(24,222,993)	142,152,612
Number of options exercisable		19,586,617				35,906,115

Date of grant	Exercise price HK$	At 1 January 2009	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2009
		Number of options				
20 June 2007	7.00	118,747,544	–	–	(12,115,446)	106,632,098
1 August 2007	8.18	1,371,013	–	–	(101,211)	1,269,802
2 October 2007	10.00	4,845,000	–	–	(2,376,232)	2,468,768
1 November 2007	11.78	4,272,054	–	–	(2,970,439)	1,301,615
3 December 2007	9.88	1,500,488	–	–	(266,159)	1,234,329
2 January 2008	8.97	3,449,266	–	–	(90,857)	3,358,409
1 February 2008	8.05	2,099,366	–	–	(381,984)	1,717,382
3 March 2008	7.68	774,732	–	–	(39,062)	735,670
2 May 2008	7.93	7,796,274	–	–	(558,001)	7,238,273
2 June 2008	7.34	15,837,819	–	–	(606,259)	15,231,560
2 July 2008	6.46	1,784,027	–	–	(301,852)	1,482,175
3 November 2008	1.60	100,250,000	–	(79,937,500)	(20,312,500)	–
4 September 2009	4.90	–	–	23,728,888	(23,364)	23,705,524
		262,727,583	–	(56,208,612)	(40,143,366)	166,375,605
Number of options exercisable		3,900,000				19,586,617

38. Pledge of Assets

The following assets were pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

	2010	2009
	RMB'million	RMB'million
Investment properties	**17,091**	13,243
Property, plant and equipment	**114**	128
Prepaid lease payments	**42**	43
Properties under development for sale	**6,065**	4,948
Properties held for sale	**33**	406
Accounts receivable	**45**	90
Bank deposits	**1,885**	2,019
	25,275	20,877

Included in pledged bank deposits above is an amount of RMB265 million (2009: RMB265 million) which has been pledged to a bank to secure the banking facilities granted to an associate. All the other assets were pledged to secure banking facilities granted to the Group.

In addition, the equity interests in certain subsidiaries were also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

39. Lease Arrangements

As lessor

Property rental income in respect of the investment properties earned, net of outgoings of RMB13 million (2009: RMB10 million), was RMB584 million (2009: RMB532 million). The investment properties held have committed tenants for the next one to eleven years at fixed rentals. Certain leases contain contingent rental income recognised during the year ended 31 December 2010 amounting to RMB12 million (2009: RMB7 million). These contingent rentals are generally based on specified percentages of turnover of the tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2010	2009
	RMB'million	RMB'million
Within one year	**615**	526
In the second to fifth years inclusive	**1,005**	780
Over five years	**117**	100
	1,737	1,406

39. Lease Arrangements (Continued)

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 RMB'million	2009 RMB'million
Within one year	**44**	46
In the second to fifth years inclusive	**39**	71
Over five years	**72**	81
	155	198

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to thirteen years.

40. Commitments and Contingencies

(a) Capital and other commitments

(i) At the end of the reporting period, the Group had the following commitments:

	2010 RMB'million	2009 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	**4,673**	6,534
Development costs for properties under development held for sale	**9,906**	7,884
	14,579	14,418

(ii) Pursuant to an agreement entered into with the 上海市虹口區衛生局 of the Hongkou District, Shanghai, the PRC on 20 June 2006, the Group has committed to build a hospital to be located in the Rui Hong Xin Cheng area of the Hongkou District as compensation for the removal of those medical and health care services originally located in that area. As at 31 December 2010 and 2009, no construction contracts related to the hospital were entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

(iii) On 28 April 2008, the Group agreed to provide further funding or financial assistance of RMB1,128 million to the associates formed for the development of Dalian Tiandi project, whereby the Group ultimately holds a 48% effective interest. Details of the transactions are set out in the announcement dated 28 April 2008 and the circular dated 19 May 2008.

At 31 December 2009, the Group had commitment in respect of provision of such further funding or financial assistance contracted but not provided for in the consolidated financial statements amounting to approximately RMB121 million. During the year ended 31 December 2010, the Group has made further investment to the associate and at 31 December 2010, the Group had had no outstanding commitment in respect of investments in associates.

40. Commitments and Contingencies (Continued)

(b) Contingent liabilities

Financial guarantee contracts:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2009: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2010, no amount had been drawn down under this arrangement (2009: nil).

(ii) As at 31 December 2010, the Group has issued guarantees amounting to RMB265 million (2009: RMB528 million) to banks in respect of banking facilities granted to an associate, in which the associate has drawn down bank loans amounting to RMB250 million (2009: RMB480 million).

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2010 and 31 December 2009.

41. Related Party Transactions

Apart from the related party transactions and balances as stated in notes 17, 18, 23, 24, 26 and 40, the Group had the following transactions with related parties during the year:

(a) SOCL and its subsidiaries and associates other than those of the Group

	2010	2009
	RMB'million	RMB'million
Project construction costs	**466**	196
Rental and building management fee expenses	**32**	36
Travelling expenses	**17**	–
Project management fee income	**17**	1
Rental and building management fee income	**–**	2
Interest income	**–**	1

41. Related Party Transactions (Continued)

(b) Other related parties

	2010 RMB'million	2009 RMB'million
Associates		
Project management fee income	**22**	8
Imputed interest income	**36**	55
Interest income	**31**	11
Non-controlling shareholders of subsidiaries		
Guarantee fee income	**19**	–
Interest income	**–**	2
Imputed interest expenses	**–**	1
Interest expenses	**125**	102
Project management fee expenses	**8**	7
Jointly controlled entity		
Rental and building management fee income	**4**	4
A director		
Interest expenses	**–**	35
Senior management		
Property sales	**20**	43
Close family members of senior management		
Property sales	**–**	20

42. Event After The Reporting Period

On 26 January 2011, SOD issued RMB3,500 million senior notes with a maturity of four years due on 26 January 2015 (the "2015 Notes"). The 2015 Notes are denominated in RMB and settled in US dollars, and bear coupon at 7.625% per annum payable semi-annually in arrears.

43. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, convertible bonds and notes disclosed in notes 27, 30 and 31, respectively net of bank balances and cash and pledged bank deposits, and equity attributable to equity holders of the Company, comprising issued share capital and reserves, and non-controlling interests.

The Directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of convertible bonds, notes, bank and other borrowings over the sum of bank balances and cash (inclusive of pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

43. Capital Risk Management (Continued)

The gearing ratio at the end of reporting date was as follows:

	2010 RMB'million	2009 RMB'million
Bank and other borrowings	**13,183**	10,203
Convertible bonds	**2,117**	–
Notes	**2,945**	–
Pledged bank deposits	**(1,885)**	(2,019)
Bank balances and cash	**(4,905)**	(2,928)
Net debt	**11,455**	5,256
Total equity	**26,028**	22,574
Net debt to total equity	**44%**	23%

44. Financial Instruments

a. Categories of financial instruments

	2010 RMB'million	2009 RMB'million
Financial assets		
Loans and receivables (including bank balances and cash)	**12,730**	7,827
Financial liabilities		
Derivative instruments designated as hedging instruments	**218**	211
Amortised cost	**23,697**	13,974

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, accounts payable, amounts due to related companies, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries and bank borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2010 RMB'million	2009 RMB'million
HK$		
Assets	**2,469**	2,006
Liabilities	**8,365**	6,458
US$		
Assets	**1,374**	313
Liabilities	**1,032**	1,285

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Notes	2010 RMB'million	2009 RMB'million
HK$			
Profit or loss	(i)	**281**	212
US$			
Profit or loss	(ii)	**(16)**	46

Notes:

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HK$ not subject to cash flow hedge at year end.

(ii) This is mainly attributable to the exposure outstanding on receivables and payables denominated in US$ not subject to cash flow hedge at year end.

The Group's sensitivity to foreign currency has increased in profit during the current year mainly due to both the significant depreciation of HK$ and US$ against RMB and increase in foreign currency bank borrowings.

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings at variable rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR, and PBOC prescribed interest rate arising from the Group's HK$ and RMB borrowings. In order to mitigate the cash flow interest rate risk, the Group has entered into several interest rate swaps (which have been designated as hedging instruments) whereby the Group will receive interest at variable rates at HIBOR and pay interests at fixed rates. Details of the interest rate swaps are set out in note 32.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank and other borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by RMB10 million (2009: decrease/increase by RMB17 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings, after taking into consideration the effects of the interest rate swaps designated as hedging instruments.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate debt instruments.

Credit risk

The Group's principal financial assets are bank balances and cash, pledged bank deposits, accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries and amounts due from related companies, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its loans to associates, accounts receivable, loans receivable and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2010 where the largest debtor amounting to approximately RMB68 million (2009: RMB123 million) arising from sales of properties, loans to associates of RMB1,270 million (2009: RMB1,273 million) and loans receivable of RMB597 million (2009: RMB378 million).

The credit risk on liquid funds is limited because the funds were deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that settle on a net basis, undiscounted net cash outflows are presented.

Liquidity and interest risk tables

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2010
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2010							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	2,913	–	–	–	2,913	2,913
Bank and other borrowings at variable rates	4.4%	2,195	6,748	4,648	1,135	14,726	13,183
Convertible bonds	10.7%	122	122	3,087	–	3,331	2,117
Notes	7.5%	206	206	3,206	–	3,618	2,945
Amounts due to related companies	–	95	–	–	–	95	95
Amounts due to associates	–	29	–	–	–	29	29
Amounts due to non-controlling shareholders of subsidiaries	–	462	–	–	–	462	462
Loans from non-controlling shareholders of subsidiaries							
– variable rate	6.1%	407	101	303	1,754	2,565	1,953
Financial guarantee contracts	–	265	–	–	–	265	–
		6,694	7,177	11,244	2,889	28,004	23,697
Derivatives – net settlement							
Cash flow hedge instruments	–	130	130	–	–	260	218

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2009
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2009							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	2,070	–	–	–	2,070	2,070
Bank borrowings at variable rates	4.1%	2,482	1,249	7,141	543	11,415	10,203
Amounts due to related companies	–	69	–	–	–	69	69
Amounts due to associates	–	45	–	–	–	45	45
Amounts due to non-controlling shareholders of subsidiaries	4.1%	494	–	–	–	494	475
Loans from non-controlling shareholders of subsidiaries							
– variable rate	8.4%	56	56	168	670	950	670
– interest free	–	442		–	–	442	442
Financial guarantee contracts	–	528	–	–	–	528	–
		6,186	1,305	7,309	1,213	16,013	13,974
Derivatives – net settlement							
Cash flow hedge instruments		130	130	–	–	260	211

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

c. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions as inputs; and

- the fair values of derivative instruments, are calculated using quoted prices as inputs. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

d. Fair value measurements recognised in the consolidated statement of financial position

Included in other comprehensive income is a loss of RMB7 million (2009: gain of RMB45 million) related to interest rate swaps designated in cash flow hedge held at the end of the reporting period.

45. Summarised Statement of Financial Position of The Company

	2010 **RMB'million**	2009 RMB'million
Investments in subsidiaries	**2,413**	2,413
Loan to a subsidiary	**6,747**	6,365
Amounts due from subsidiaries	**4,014**	2,203
Other prepayment	**22**	22
Bank balances	**604**	–
Total assets	**13,800**	11,003
Convertible bonds	**2,117**	–
Total liabilities	**2,117**	–
Net assets	**11,683**	11,003
Share capital	**102**	99
Reserves	**11,581**	10,904
Total equity	**11,683**	11,003

46. Particulars of the Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2010 and 31 December 2009 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Billion Glory Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Winner Limited	Hong Kong 27 December 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd.	PRC 21 November 2003	Registered and paid up capital US$359,000,000	79.4%	79.4%	PRC	Property development and property investment
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Dalian Yingjia Science and Technology Development Co., Ltd.	PRC 3 December 2009	Registered and paid up capital US$23,000,000	100%	100%	PRC	Science and Technology development
East Capital Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Excellent Win Enterprises Limited	Hong Kong 5 February 2010	1 ordinary share of HK$1	100%	-	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	100 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd.	PRC 25 April 2008	Registered capital RMB690,000,000 Paid up capital RMB280,744,034	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd.	PRC 21 May 2008	Registered capital RMB690,000,000 Paid up capital RMB105,768,504	100%	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd.	PRC 21 May 2008	Registered capital RMB690,000,000 Paid up capital RMB539,797,592	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Yong Rui Tian Di Property Development Co., Ltd.	PRC 21 March 2008	Registered capital RMB690,000,000 Paid up capital RMB483,779,914	100%	100%	PRC	Property development

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Tiandi Trading Co., Ltd.	PRC 3 August 2010	Registered and paid up capital RMB1,000,000	100%	–	PRC	Retail business
Fuhui Limited	BVI 1 April 2010	1 ordinary share of US$1	100%	–	Hong Kong	Investment holding
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Grand Hope Limited (Note 4)	Hong Kong 14 March 2003	100 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each	A shares: 80.2% B shares: 60.15%	A shares: 80.2% B shares: 60.15%	Hong Kong	Investment holding
Grand Rich Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Co., Ltd.	PRC 6 March 2003	Registered and paid up capital US$1,400,000	100%	100%	PRC	Property management
Hangzhou Xihu Tiandi Property Co., Ltd.	PRC 12 June 2003	Registered and paid up capital US$51,800,000	100%	100%	PRC	Property development
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Land Pacific Limited	Hong Kong 2 November 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	51%	51%	Hong Kong	Investment holding
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	100 ordinary shares of US$1 each	51%	51%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Regal Victory Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	60.15%	60.15%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	97%	PRC	Property development and property investment
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$35,773,000	99%	99%	PRC	Property development
Shanghai Fu Xiang Properties Co., Ltd.	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	PRC	Property development and property investment
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	97%	PRC	Property development and property investment
Shanghai Jing Fu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
Shanghai Jun Xing Property Co., Ltd.	PRC 5 March 2009	Registered and paid up capital RMB920,000,000	49.98%	49.98%	PRC	Property development
Shanghai Knowledge and Innovation Community Development Co., Ltd.	PRC 9 June 2010	Registered and paid up capital HK$1,550,000,000	99%	–	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	99%	99%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd.	PRC 20 February 2004	Registered and paid up capital US$130,500,000	99%	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd.	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	75%	75%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd.	PRC 28 December 2010	Registered capital RMB3,900,000,000 not yet paid up	100%	-	PRC	Property development

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered and paid up capital RMB3,300,000,000	74.25%	74.25%	PRC	Property development and property investment
Shanghai Rui Zhen Food & Beverage Co., Ltd.	PRC 7 November 2003	Registered and paid up capital US$2,100,000	99%	99%	PRC	Food and beverage services
Shanghai Shui On Club Business Management Co., Ltd.	PRC 29 July 2010	Registered and paid up capital RMB200,000	100%	–	PRC	Provision o f business management services
Shanghai Tai Ping Qiao Properties Management Co., Ltd.	PRC 31 August 2001	Registered and paid up capital US$200,000	99%	99%	PRC	Property management
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	99%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$115,000,000	99%	99%	PRC	Property development
Shanghai Yang Pu Centre Development Co., Ltd.	PRC 26 August 2003	Registered and paid up capital US$137,500,000	86.8%	70%	PRC	Property development and property investment
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of management services
Shui On Resort Community (Dali) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Dali) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Limited	Hong Kong 5 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
Shui On Resort Community (Kunming) Limited	Hong Kong 25 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Yunnan) Development Limited	Cayman Islands 17 July 2006	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of secretarial services
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Smart Silver Limited	BVI 18 December 2002	10 ordinary shares of US$1	100%	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	PRC 2 August 2005	Registered and paid up capital US$288,000,000	75%	75%	PRC	Property development and property investment

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2010	2009	Place of operation	Principal activities
上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd.*)	PRC 29 August 2002	Registered and paid up capital RMB100,000,000	75%	–	PRC	Property development and property investment
上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*)	PRC 18 January 2004	Registered and paid up capital RMB12,079,950	100%	100%	PRC	Property management
上海豐誠楊浦物業管理有限公司 (Shanghai Feng Cheng Yang Pu Property Management Co., Ltd.*)	PRC 21 July 2010	Registered and paid up capital RMB500,000	100%	–	PRC	Property management
上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*)	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	86.8%	70%	PRC	Property development
上海瑞展教育信息咨詢有限公司 (Shanghai Rui Zhan Education Information Consultant Co., Ltd.*)	PRC 20 April 2010	Registered and paid up capital RMB100,000	75%	-	PRC	Provision of education information and consultancy services
上海新昌瑞安楊浦物業管理有限公司 (Shanghai Synergies Shui On Yang Pu Property Management Co., Ltd.*)	PRC 27 January 2006	Registered and paid up capital RMB450,000	100%	90%	PRC	Property management
上海瑞安房地產發展有限公司(Shui On Development Limited*)	PRC 14 June 2004	Registered and paid up capital US$28,000,000	100%	100%	PRC	Provision of management services
武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd. *)	PRC 8 January 2007	Registered and paid up capital US$600,000	100%	100%	PRC	Retail business

Notes:

1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Dalian Yingjia Science and Technology Development Co., Ltd., Fo Shan An Ying Property Development Co., Ltd., Fo Shan Rui Dong Property Development Co., Ltd., Fo Shan Rui Fang Property Development Co., Ltd., Fo Shan Rui Kang Tian Di Property Development Co., Ltd., Fo Shan Shui On Property Development Co., Ltd., Fo Shan Yi Kang Property Development Co., Ltd., Fo Shan Yong Rui Tian Di Property Development Co., Ltd., Fo Shan Yuan Kang Property Devlopment Co., Ltd., Fo Shan Shui On Taindi Trading Co., Ltd., Hangzhou Xihu Tiandi Management Co., Ltd., Hangzhou Xihu Tiandi Property Co., Ltd., Shanghai IPO Food & Beverage Co., Ltd., Shanghai Rui Chen Property Co., Ltd., Shanghai Rui Qiao Property Development Co., Ltd., Shanghai Shui On Club Business Management Co., Ltd., Wuhan Shui On Tiandi Property Development Co., Ltd., 上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd.*), 上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*), 上海瑞安房地產發展有限公司 (Shui On Development Limited*) and 武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*) which are wholly foreign owned enterprises.
3. Except for Shui On Development (Holding) Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2010 or at any time during the year.
4. The holders of Class B ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Super Rise Project whereas the holders of Class A ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Shui On Tiandi Property Development Co., Ltd. other than the Chongqing Super High Rise Project.
5. The Group holds 51% equity interest in Portspin Limited, which holds 98% equity interest in Shanghai Jun Xing Property Co., Ltd. The Group's effective interest in Shanghai Jun Xing Property Co., Ltd. is therefore 49.98%.

* For identification purposes

Financial Summary

Consolidated Income Statement Summary

for the year ended 31 December

	2006 RMB'million	2007 RMB'million	2008 RMB'million	2009 RMB'million	**2010 RMB'million**
Turnover	4,729	4,570	2,066	6,758	**4,879**
Profit attributable to shareholders	1,146	2,462	1,798	2,673	**2,809**
Non-controlling interests	494	405	270	(80)	**201**
Profit for the year	**1,640**	**2,867**	**2,068**	**2,593**	**3,010**

Consolidated Statement of Financial Position Summary

as of 31 December

	2006 RMB'million	2007 RMB'million	2008 RMB'million	2009 RMB'million	**2010 RMB'million**
Investment properties	6,205	7,994	8,466	21,206	**26,893**
Property, plant and equipment	188	260	343	356	**540**
Prepaid lease payments	3,710	4,325	6,290	43	**73**
Properties under development	6,509	8,015	10,197	11,532	**14,308**
Properties held for sale	1,799	325	3,090	627	**627**
Interests in and loans to associates	3	1,066	1,627	2,135	**2,190**
Accounts receivable, deposits and prepayments	1,594	3,789	1,270	992	**3,668**
Other assets	373	408	1,252	754	**1,164**
Pledged bank deposits, bank balances and cash	5,654	3,697	3,380	4,947	**6,790**
Total assets	**26,035**	**29,879**	**35,915**	**42,592**	**56,253**
Current liabilities	3,829	8,828	8,100	8,838	**8,747**
Non-current liabilities	7,041	4,345	9,640	11,180	**21,478**
Total liabilities	**10,870**	**13,173**	**17,740**	**20,018**	**30,225**
Net assets	**15,165**	**16,706**	**18,175**	**22,574**	**26,028**
Equity attributable to:					
Shareholders of the Company	13,952	15,878	16,863	21,579	**24,820**
Non-controlling interests	1,213	828	1,312	995	**1,208**
Total equity	**15,165**	**16,706**	**18,175**	**22,574**	**26,028**

Per Share Data

for the year ended 31 December

	2006	2007	2008	2009	**2010**
Basic earnings per share (RMB)	0.48	0.59	0.39	0.55	**0.55**
Dividend per share					
– Interim paid (HK$)	–	0.05	0.07	0.01	**0.06**
– Final proposed (HK$)	0.06	0.10	0.01	0.12	**0.05**
– Full year (HK$)	0.06	0.15	0.08	0.13	**0.11**
Bonus shares	–	–	1 for 10	–	**–**

Note:

The financial summary in respect of the financial years 2006 and 2007 as shown above have not been restated to account for the impact of the adoption of IFRIC 15 "Agreement for the Construction of Real Estate" issued by the IASB.

Corporate Information

Board of Directors

Executive Directors

Mr. Vincent H. S. LO
(Chairman)

Mr. Freddy C. K. LEE
(Managing Director and Chief Executive Officer)

Mr. Daniel Y. K. WAN
((Managing Director and Chief Financial Officer)

Non-executive Director

The Honourable LEUNG Chun Ying

Independent Non-executive Directors

Sir John R. H. BOND
Dr. Edgar W. K. CHENG
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

Audit Committee

Professor Gary C. BIDDLE *(Chairman)*
Dr. Edgar W. K. CHENG
Dr. Roger L. McCARTHY

Remuneration Committee

Dr. William K. L. FUNG *(Chairman)*
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

Nomination Committee

Mr. Vincent H. S. LO *(Chairman)*
Sir John R. H. BOND
Professor Gary C. BIDDLE

Finance Committee

Mr. Vincent H. S. LO *(Chairman)*
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Mr. Freddy C. K. LEE
Mr. Daniel Y. K. WAN

Company Secretary

Mr. UY Kim Lun

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown JSM

Registered Office

Walker House, 87 Mary Street
George Town
Grand Cayman KY1-9005
Cayman Islands

Corporate Headquarter

26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021, PRC

Place of Business In Hong Kong

34/F, Shui On Centre
6-8 Harbour Road
Wan Chai, Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P. O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
China Construction Bank Corporation
Deutsche Bank AG
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank Limited

Stock Code

272

Website

www.shuionland.com

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SHUI ON LAND