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**華潤置地有限公司**  
**China Resources Land Limited**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 1109)

**ANNOUNCEMENT OF RESULTS FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2010**

**Highlights**

- Sales for the year ended 31 December 2010 amounted to HK\$25,729 million, increased by 54.5% as compared with the corresponding period of 2009.
- Net profit attributable to shareholders for the year ended 31 December 2010 amounted to HK\$6,026 million, representing a growth of 40.0% as compared with the corresponding period of 2009.
- Gross profit margin for the year was 39.5% as compared with 35.9% for 2009.
- Net profit margin attributable to shareholders for the year was 23.4%, as compared with 25.8% in 2009.
- Earning per share amounted to HK119.8 cents, increased by 36.0% from HK88.1 cents in 2009.
- Booked area amounted to 1,790,678 square metres, increased by 55.6% as compared with 1,151,089 square metres for the corresponding period of 2009.
- As of 23 March 2010, total land bank was 26.66 million square meters. During the course of 2010, total land bank newly added amounted to 6.60 million square meters.
- In 2011, up to 23 March, the Group has achieved contracted value of RMB5,054 million with a contracted GFA of 452,500 square meters. As of 23 March 2011, the Group has achieved total contracted value of RMB26,091 million that are subject to recognition in 2011 and years to come, including the contracted value of RMB21,037 million in property sales that was achieved before 2011 but not yet recognized. Specifically, the Group has locked up total revenue of RMB19,296 million from the residential property development for recognition in 2011.
- The Board of Directors declared a final dividend of HK21.5 cents per share. Dividends for the year amounted to HK31.0 cents, representing an increase of 30.8% over 2009.

The Board of Directors (the “Board”) of China Resources Land Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010

|  | <u>NOTES</u> | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000<br>(Restated) |
|--|--------------|-------------------------|---------------------------------------|
| Revenue  | 3            | 25,729,158              | 16,650,237                            |
| Cost of sales  |              | <u>(15,576,849)</u>     | <u>(10,674,195)</u>                   |
| Gross profit   |              | 10,152,309              | 5,976,042                             |
| Gain on changes in fair value of investment properties   |              | 2,850,182               | 2,295,062                             |
| Gain on changes in fair value of inventory of<br>properties transferred to investment properties |              | 97,120                  | 67,208                                |
| (Loss) gain on changes in fair value of derivative<br>financial instruments                      |              | (8,963)                 | 2,390                                 |
| Other income   |              | 530,216                 | 249,462                               |
| Selling and marketing expenses   |              | (721,086)               | (576,071)                             |
| General and administration expenses  |              | (1,028,893)             | (870,693)                             |
| Share of results of associates   |              | 48,053                  | 41,481                                |
| Finance costs  |              | <u>(304,445)</u>        | <u>(154,389)</u>                      |
| Profit before taxation   |              | 11,614,493              | 7,030,492                             |
| Income tax expense   | 4            | <u>(4,275,759)</u>      | <u>(2,285,120)</u>                    |
| Profit for the year  |              | 7,338,734               | 4,745,372                             |
| Other comprehensive income (expense)   |              |                         |                                       |
| Exchange differences arising on translation to<br>presentation currency                          |              | 2,116,399               | (55,758)                              |
| (Loss) gain on changes in fair value of cash flow<br>hedges                                      |              | <u>(20,435)</u>         | <u>11,433</u>                         |
|  |              | <u>2,095,964</u>        | <u>(44,325)</u>                       |
| Total comprehensive income for the year  |              | <u>9,434,698</u>        | <u>4,701,047</u>                      |
| Total comprehensive income attributable to:  |              |                         |                                       |
| Owners of the Company  |              | 7,904,507               | 4,302,384                             |
| Non-controlling interests  |              | <u>1,530,191</u>        | <u>398,663</u>                        |
|  |              | <u>9,434,698</u>        | <u>4,701,047</u>                      |
| Profit for the year attributable to:   |              |                         |                                       |
| Owners of the Company  |              | 6,026,470               | 4,303,757                             |
| Non-controlling interests  |              | <u>1,312,264</u>        | <u>441,615</u>                        |
|  |              | <u>7,338,734</u>        | <u>4,745,372</u>                      |
| Earnings per share   | 6            |                         |                                       |
| Basic  |              | <u>HK119.8 cents</u>    | <u>HK88.1 cents</u>                   |
| Diluted  |              | <u>HK119.2 cents</u>    | <u>HK87.7 cents</u>                   |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2010

|  | <u>NOTES</u> | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000<br>(Restated) | <u>1.1.2009</u><br>HK\$'000<br>(Restated) |
|--|--------------|-------------------------|---------------------------------------|---|
| <b>Non-current assets</b>                              |              |                         |                                       |   |
| Property, plant and equipment                          |              | 3,299,277               | 3,050,933                             | 2,745,744                                 |
| Prepaid lease payments                                 |              | 843,766                 | 685,812                               | 798,917                                   |
| Investment properties                                  |              | 21,953,068              | 16,742,284                            | 9,998,305                                 |
| Interests in associates                                |              | 708,733                 | 668,666                               | 731,099                                   |
| Amount due from an associate                           |              | 259,744                 | 238,614                               | 265,178                                   |
| Available-for-sale investments                         |              | 188,962                 | 194,473                               | 207,205                                   |
| Deposit paid for non-current assets                    |              | 2,476,969               | -                                     | -   |
| Deferred taxation assets                               |              | 482,281                 | 471,756                               | 399,269                                   |
|  |              | <u>30,212,800</u>       | <u>22,052,538</u>                     | <u>15,145,717</u>                         |
| <b>Current assets</b>                                  |              |                         |                                       |   |
| Inventory of properties                                |              | 61,883,161              | 42,918,048                            | 39,568,189                                |
| Prepaid lease payments                                 |              | 19,725                  | 17,366                                | 16,608                                    |
| Other inventories                                      |              | 66,712                  | 55,606                                | 64,253                                    |
| Trade receivables, other receivables and deposits paid | 7            | 19,859,289              | 15,035,153                            | 9,955,940                                 |
| Amounts due from customers for contract works          |              | 398,081                 | 281,615                               | 210,929                                   |
| Amounts due from fellow subsidiaries                   |              | 65,363                  | 242,435                               | 157,585                                   |
| Amount due from immediate holding company              |              | 495                     | 4,103                                 | 7,629                                     |
| Taxation prepaid                                       |              | 1,160,037               | 707,019                               | 128,731                                   |
| Cash and bank balances                                 |              | 11,972,212              | 19,873,080                            | 5,808,875                                 |
|  |              | <u>95,425,075</u>       | <u>79,134,425</u>                     | <u>55,918,739</u>                         |
| <b>Current liabilities</b>                             |              |                         |                                       |   |
| Trade and other payables                               | 8            | 7,787,114               | 5,921,958                             | 4,300,824                                 |
| Deposits received from pre-sales of properties         |              | 21,750,006              | 18,943,304                            | 5,689,910                                 |
| Amounts due to customers for contract works            |              | 456,121                 | 374,575                               | 341,963                                   |
| Amounts due to fellow subsidiaries                     |              | 70,693                  | 2,217,090                             | 2,925,893                                 |
| Amount due to immediate holding company                |              | 945,043                 | 2,264,473                             | 2,409,043                                 |
| Amounts due to non-controlling interests               |              | 796,749                 | 988,111                               | 911,573                                   |
| Taxation payable                                       |              | 3,386,793               | 1,849,380                             | 686,238                                   |
| Bank borrowings - due within one year                  |              | 8,554,849               | 1,827,206                             | 4,062,895                                 |
|  |              | <u>43,747,368</u>       | <u>34,386,097</u>                     | <u>21,328,339</u>                         |
| Net current assets                                     |              | <u>51,677,707</u>       | <u>44,748,328</u>                     | <u>34,590,400</u>                         |
| Total assets less current liabilities                  |              | <u>81,890,507</u>       | <u>66,800,866</u>                     | <u>49,736,117</u>                         |

|  | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000<br>(Restated) | <u>1.1.2009</u><br>HK\$'000<br>(Restated) |
|--|-------------------------|---------------------------------------|---|
| Capital and reserves                         |                         |                                       |   |
| Share capital                                | 538,724                 | 503,001                               | 471,535                                   |
| Reserves                                     | <u>45,376,869</u>       | <u>37,187,327</u>                     | <u>29,787,921</u>                         |
| Equity attributable to owners of the Company | 45,915,593              | 37,690,328                            | 30,259,456                                |
| Non-controlling interests                    | <u>3,499,060</u>        | <u>1,190,073</u>                      | <u>798,526</u>                            |
|  | <u>49,414,653</u>       | <u>38,880,401</u>                     | <u>31,057,982</u>                         |
| Non-current liabilities                      |                         |                                       |   |
| Bank borrowings - due after one year         | 29,252,389              | 25,631,576                            | 17,030,097                                |
| Deferred taxation liabilities                | 3,070,966               | 2,165,788                             | 1,511,114                                 |
| Derivative financial instruments             | <u>152,499</u>          | <u>123,101</u>                        | <u>136,924</u>                            |
|  | <u>32,475,854</u>       | <u>27,920,465</u>                     | <u>18,678,135</u>                         |
|  | <u>81,890,507</u>       | <u>66,800,866</u>                     | <u>49,736,117</u>                         |

*Notes:*

## **1. MERGER ACCOUNTING RESTATEMENT**

### Merger accounting for business combination involving entities under common control

The Group acquired Fast Lead Group from a subsidiary of China Resources (Holdings) Company Limited (“CRH”) on 3 November 2010, which is considered as business combination involving entities under common control and has been accounted for using merger accounting method, based on the guidance set out in Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”) for the year ended 31 December 2010. As a result, the comparative consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2009 and consolidated statement of financial position as at 1 January 2009 and 31 December 2009 have therefore been restated, in order to include the results of the combining entities since the date of which first come under common control.

The acquisition of Fast Lead Group had resulted in decrease in the Group's total comprehensive income for the year and profit for the year ended 31 December 2009 attributable to the owners of the Company by HK\$974,000 and HK\$105,152,000 respectively.

## 1. MERGER ACCOUNTING RESTATEMENT - continued

The effects of the merger accounting restatement described above on the consolidated statement of comprehensive income for the year ended 31 December 2009 by line items is as follows:

|   | Year ended<br>31 December<br>2009<br>HK\$'000<br>(Originally<br>stated) | Merger<br>accounting<br>restatement<br>HK\$'000 | Year ended<br>31 December<br>2009<br>HK\$'000<br>(Restated) |
|---|---|---|---|
| Revenue   | 16,601,348  | 48,889  | 16,650,237  |
| Cost of sales   | <u>(10,662,798)</u>   | <u>(11,397)</u>                                 | <u>(10,674,195)</u>   |
| Gross profit  | 5,938,550   | 37,492  | 5,976,042   |
| Gain on changes in fair value of<br>investment properties   | 2,295,062   | -   | 2,295,062   |
| Gain on changes in fair value of inventory<br>of properties transferred to investment<br>properties | 67,208  | -   | 67,208  |
| Gain on changes in fair value of<br>derivative financial instruments                                | 2,390   | -   | 2,390   |
| Other income  | 248,252   | 1,210   | 249,462   |
| Selling and marketing expenses  | (547,249)   | (28,822)  | (576,071)   |
| General and administration expenses   | (755,990)   | (114,703)                                       | (870,693)   |
| Share of results of associates  | 41,481  | -   | 41,481  |
| Finance costs   | <u>(153,961)</u>  | <u>(428)</u>                                    | <u>(154,389)</u>  |
| Profit before taxation  | 7,135,743   | (105,251)                                       | 7,030,492   |
| Income tax expense  | <u>(2,285,219)</u>  | <u>99</u>                                       | <u>(2,285,120)</u>  |
| Profit for the year   | 4,850,524   | (105,152)                                       | 4,745,372   |
| Other comprehensive income  |   |   |   |
| Exchange differences arising on translation to<br>presentation currency                             | (54,784)  | (974)   | (55,758)  |
| Gain on changes in fair value of cash flow hedge  | <u>11,433</u>   | <u>-</u>  | <u>11,433</u>   |
| Total comprehensive income for the year   | <u>4,807,173</u>  | <u>(106,126)</u>                                | <u>4,701,047</u>  |
| Total comprehensive income attributable to:   |   |   |   |
| Owners of the Company   | 4,408,510   | (106,126)                                       | 4,302,384   |
| Non-controlling interests   | <u>398,663</u>  | <u>-</u>  | <u>398,663</u>  |
|   | <u>4,807,173</u>  | <u>(106,126)</u>                                | <u>4,701,047</u>  |
| Profit for the year attributable to:  |   |   |   |
| Owners of the Company   | 4,408,909   | (105,152)                                       | 4,303,757   |
| Non-controlling interests   | <u>441,615</u>  | <u>-</u>  | <u>441,615</u>  |
|   | <u>4,850,524</u>  | <u>(105,152)</u>                                | <u>4,745,372</u>  |
| Earnings per share  |   |   |   |
| Basic   | <u>HK90.2 cents</u>   | <u>HK(2.1) cents</u>                            | <u>HK88.1 cents</u>   |
| Diluted   | <u>HK89.8 cents</u>   | <u>HK(2.1) cents</u>                            | <u>HK87.7 cents</u>   |

## 1. MERGER ACCOUNTING RESTATEMENT - continued

The effects of the merger accounting restatement described above on the consolidated statement of financial position as at 1 January 2009 and 31 December 2009 by line items are as follows:

|   | 1 January<br>2009<br>HK\$'000<br>(Originally<br>stated) | Merger<br>accounting<br>restatement<br>HK\$'000 | 1 January<br>2009<br>HK\$'000<br>(Restated) | 31 December<br>2009<br>HK\$'000<br>(Originally<br>stated) | Merger<br>accounting<br>restatement<br>HK\$'000 | 31 December<br>2009<br>HK\$'000<br>(Restated) |
|---|---|---|---|---|---|---|
| <b>Non-current assets</b>                                 |   |   |   |   |   |   |
| Property, plant and equipment                             | 2,274,429   | 471,315   | 2,745,744                                   | 2,578,850   | 472,083   | 3,050,933                                     |
| Prepaid lease payments                                    | 631,924   | 166,993   | 798,917                                     | 453,068   | 232,744   | 685,812                                       |
| Investment properties                                     | 9,998,305   | -   | 9,998,305                                   | 16,742,284  | -   | 16,742,284                                    |
| Interests in associates                                   | 731,099   | -   | 731,099                                     | 668,666   | -   | 668,666                                       |
| Amount due from an associate                              | 265,178   | -   | 265,178                                     | 238,614   | -   | 238,614                                       |
| Available-for-sale investments                            | 187,994   | 19,211  | 207,205                                     | 179,772   | 14,701  | 194,473                                       |
| Deferred taxation assets                                  | 398,634   | 635   | 399,269                                     | 471,022   | 734   | 471,756                                       |
|   | <u>14,487,563</u>                                       | <u>658,154</u>                                  | <u>15,145,717</u>                           | <u>21,332,276</u>   | <u>720,262</u>                                  | <u>22,052,538</u>                             |
| <b>Current assets</b>                                     |   |   |   |   |   |   |
| Inventory of properties                                   | 38,149,775  | 1,418,414                                       | 39,568,189                                  | 40,827,522  | 2,090,526                                       | 42,918,048                                    |
| Prepaid lease payments                                    | 12,898  | 3,710   | 16,608                                      | 11,188  | 6,178   | 17,366  |
| Other inventories   | 61,387  | 2,866   | 64,253                                      | 55,606  | -   | 55,606  |
| Trade receivables, other receivables<br>and deposits paid | 9,884,625   | 71,315  | 9,955,940                                   | 13,751,430  | 1,283,723                                       | 15,035,153                                    |
| Amounts due from customers for<br>contract works          | 210,929   | -   | 210,929                                     | 281,615   | -   | 281,615                                       |
| Amounts due from fellow subsidiaries                      | 15,598  | 141,987   | 157,585                                     | 99,999  | 142,436   | 242,435                                       |
| Amount due from immediate holding<br>company              | 7,629   | -   | 7,629                                       | 4,103   | -   | 4,103   |
| Taxation prepaid  | 128,731   | -   | 128,731                                     | 707,019   | -   | 707,019                                       |
| Cash and bank balances                                    | 5,658,521   | 150,354   | 5,808,875                                   | 19,513,576  | 359,504   | 19,873,080                                    |
|   | <u>54,130,093</u>                                       | <u>1,788,646</u>                                | <u>55,918,739</u>                           | <u>75,252,058</u>   | <u>3,882,367</u>                                | <u>79,134,425</u>                             |
| <b>Current liabilities</b>                                |   |   |   |   |   |   |
| Trade and other payables                                  | 4,258,280   | 42,544  | 4,300,824                                   | 5,657,260   | 264,698   | 5,921,958                                     |
| Deposits received from pre-sales of<br>properties         | 5,689,910   | -   | 5,689,910                                   | 18,943,304  | -   | 18,943,304                                    |
| Amounts due to customers for contract<br>works            | 341,963   | -   | 341,963                                     | 374,575   | -   | 374,575                                       |
| Amounts due to fellow subsidiaries                        | 1,945,751   | 980,142   | 2,925,893                                   | 23,976  | 2,193,114                                       | 2,217,090                                     |
| Amount due to immediate holding<br>company                | 981,299   | 1,427,744                                       | 2,409,043                                   | -   | 2,264,473                                       | 2,264,473                                     |
| Amounts due to non-controlling interests                  | 911,573   | -   | 911,573                                     | 988,111   | -   | 988,111                                       |
| Taxation payable  | 686,238   | -   | 686,238                                     | 1,849,380   | -   | 1,849,380                                     |
| Bank borrowings - due within one year                     | 4,062,895   | -   | 4,062,895                                   | 1,827,206   | -   | 1,827,206                                     |
|   | <u>18,877,909</u>                                       | <u>2,450,430</u>                                | <u>21,328,339</u>                           | <u>29,663,812</u>   | <u>4,722,285</u>                                | <u>34,386,097</u>                             |
| <b>Net current assets</b>                                 | <u>35,252,184</u>                                       | <u>(661,784)</u>                                | <u>34,590,400</u>                           | <u>45,588,246</u>   | <u>(839,918)</u>                                | <u>44,748,328</u>                             |
| <b>Total assets less current liabilities</b>              | <u>49,739,747</u>                                       | <u>(3,630)</u>                                  | <u>49,736,117</u>                           | <u>66,920,522</u>   | <u>(119,656)</u>                                | <u>66,800,866</u>                             |
| <b>Capital and reserves</b>                               |   |   |   |   |   |   |
| Share capital   | 471,535   | -   | 471,535                                     | 503,001   | -   | 503,001                                       |
| Reserves  | 29,791,551  | (3,630)   | 29,787,921                                  | 37,306,983  | (119,656)                                       | 37,187,327                                    |
| <b>Equity attributable to owners of the<br/>Company</b>   | <u>30,263,086</u>                                       | <u>(3,630)</u>                                  | <u>30,259,456</u>                           | <u>37,809,984</u>   | <u>(119,656)</u>                                | <u>37,690,328</u>                             |
| <b>Non-controlling interests</b>                          | <u>798,526</u>  | <u>-</u>  | <u>798,526</u>                              | <u>1,190,073</u>  | <u>-</u>  | <u>1,190,073</u>                              |
|   | <u>31,061,612</u>                                       | <u>(3,630)</u>                                  | <u>31,057,982</u>                           | <u>39,000,057</u>   | <u>(119,656)</u>                                | <u>38,880,401</u>                             |
| <b>Non-current liabilities</b>                            |   |   |   |   |   |   |
| Bank borrowings - due after one year                      | 17,030,097  | -   | 17,030,097                                  | 25,631,576  | -   | 25,631,576                                    |
| Deferred taxation liabilities                             | 1,511,114   | -   | 1,511,114                                   | 2,165,788   | -   | 2,165,788                                     |
| Derivative financial instruments                          | 136,924   | -   | 136,924                                     | 123,101   | -   | 123,101                                       |
|   | <u>18,678,135</u>                                       | <u>-</u>  | <u>18,678,135</u>                           | <u>27,920,465</u>   | <u>-</u>  | <u>27,920,465</u>                             |
|   | <u>49,739,747</u>                                       | <u>(3,630)</u>                                  | <u>49,736,117</u>                           | <u>66,920,522</u>   | <u>(119,656)</u>                                | <u>66,800,866</u>                             |

## 1. MERGER ACCOUNTING RESTATEMENT - continued

The effects of the merger accounting restatement described above to the Group's equity on 1 January 2009 and 31 December 2009 are as follows:

|   | 1 January<br>2009<br>HK\$'000<br>(Originally<br>stated) | Merger<br>accounting<br>restatement<br>HK\$'000 | 1 January<br>2009<br>HK\$'000<br>(Restated) | 31 December<br>2009<br>HK\$'000<br>(Originally<br>stated) | Merger<br>accounting<br>restatement<br>HK\$'000 | 31 December<br>2009<br>HK\$'000<br>(Restated) |
|---|---|---|---|---|---|---|
| Share capital                                   | 471,535   | -   | 471,535                                     | 503,001   | -   | 503,001                                       |
| Share premium                                   | 24,940,740  | -   | 24,940,740                                  | 29,203,188  | -   | 29,203,188                                    |
| Capital reserve                                 | 204,567   | -   | 204,567                                     | 204,567   | -   | 204,567                                       |
| General reserves                                | 158,600   | -   | 158,600                                     | 415,995   | -   | 415,995                                       |
| Translation reserve                             | 3,204,919   | 145,541   | 3,350,460                                   | 3,193,087   | 144,567   | 3,337,654                                     |
| Share held for<br>Restricted Share Award Scheme | (162,242)   | -   | (162,242)                                   | (196,736)   | -   | (196,736)                                     |
| Employee share-based compensation<br>reserve    | 21,779  | -   | 21,779                                      | 7,911   | -   | 7,911   |
| Merger reserve                                  | (4,710,784)   | 9,900   | (4,700,884)                                 | (5,129,454)   | -   | (5,129,454)                                   |
| Hedging reserve                                 | (36,259)  | -   | (36,259)                                    | (24,826)  | -   | (24,826)                                      |
| Retained profits                                | 6,170,231   | (159,071)                                       | 6,011,160                                   | 9,633,251   | (264,223)                                       | 9,369,028                                     |
| Non-controlling interests                       | 798,526   | -   | 798,526                                     | 1,190,073   | -   | 1,190,073                                     |
|   | <u>31,061,612</u>                                       | <u>(3,630)</u>                                  | <u>31,057,982</u>                           | <u>39,000,057</u>   | <u>(119,656)</u>                                | <u>38,880,401</u>                             |

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards and interpretations issued by the HKICPA.

|                              |   |
|------------------------------|---|
| HKFRS 2 (Amendments)         | Group Cash-settled Share-based Payment Transactions   |
| HKFRS 3 (as revised in 2008) | Business Combinations   |
| HKAS 27 (as revised in 2008) | Consolidated and Separate Financial Statements  |
| HKAS 39 (Amendments)         | Eligible Hedged Items   |
| HKFRSs (Amendments)          | Improvements to HKFRSs issued in 2009   |
| HKFRSs (Amendments)          | Amendments to HKFRS 5 as part of Improvements<br>to HKFRSs issued in 2008   |
| HK(IFRIC) - Int 17           | Distributions of Non-cash Assets to Owners  |
| HK - Int 5                   | Presentation of Financial Statements - Classification<br>by the Borrower of a Term Loan that Contains<br>a Repayment on Demand Clause |

Except as described below, the application of the new and revised standards and interpretations 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 consolidation financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

### *HKFRS 3 (as revised in 2008) Business Combinations*

- HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.
- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as “minority” interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.
- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.
- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.
- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The adoption of HKFRS 3 (as revised in 2008) has had no material impact on the reported results or financial position of the Group for the current accounting period.



## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

### *HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements*

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

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Company's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, 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 HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. The application of HKAS 27 (as revised in 2008) has resulted in a decrease in both the profit for the year and total comprehensive income attributable to owners of the Company for the year ended 31 December 2010 by HK\$2,286,000 and a decrease in both the basic and diluted earnings per share by HK0.05 cents.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

The revised standard has specified that changes in ownership interests in a subsidiary that do not result in a gain or loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments in 2009, are accounted for as equity transactions. Accordingly, the resulting cash flows are classified as financing activity. This change has been applied retrospectively. Specifically, in 2009, the amount paid for the acquisition of additional interest of a subsidiary amounting to HK\$5,420,000 is included in investing activities in the consolidated statement of cash flows, which has been reclassified from investing to financing activities in the consolidated statement of cash flows accordingly.

## **2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued**

### *Amendments to HKAS 17 Leases*

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases and considered that the application of the amendments to HKAS 17 has no material impact to the Group for the current and prior years.

### *Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“HK Int 5”) clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

The Group reassessed the repayment clauses of outstanding term loan as at 1 January 2009, 31 December 2009 and 31 December 2010 and considered that the application of which had no material impact on the financial position of the Group for the current or prior accounting periods.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

### New and Revised Standards and Interpretations Issued but not yet Effective

The Group has not early adopted the following new and revised standards and interpretations that have been issued but are not yet effective.

|                                 |  |
|---------------------------------|--|
| HKFRSs (Amendments)             | Improvements to HKFRSs issued in 2010 <sup>1</sup>                       |
| HKFRS 7 (Amendments)            | Disclosures - Transfers of Financial Assets <sup>7</sup>                 |
| HKFRS 9                         | Financial Instruments <sup>4</sup>                                       |
| HKAS 12 (Amendments)            | Deferred Tax: Recovery of Underlying Assets <sup>5</sup>                 |
| HKAS 24 (as revised in 2009)    | Related Party Disclosures <sup>3</sup>                                   |
| HKAS 32 (Amendments)            | Classification of Rights Issues <sup>6</sup>                             |
| HK(IFRIC) - Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement <sup>3</sup>                |
| HK(IFRIC) - Int 19              | Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>6</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>7</sup> Effective for annual periods beginning on or after 1 July 2011.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

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

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard may impact on amounts reported in respect of the Groups' available-for-sale investment, which is currently stated at cost less impairment and will be measured at fair value upon adoption.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred taxation for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred taxation liabilities and deferred taxation 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. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred taxation recognised for investment properties that are measured using the fair value model.

The directors anticipate that the application of the other new and revised standards, and interpretations will have no material impact on the consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of performance focused on the segment of sale of developed properties, property investments and management, hotel operations, construction, decoration services and others. These divisions are the basis on which the Group reports its segment information under HKFRS 8 Operating Segments.

The following is an analysis of the Group's revenue and results by operating segment.

### Year ended 31 December 2010

|   | Sale of<br>developed<br>properties<br>HK\$'000 | Property<br>investments<br>and<br>management<br>HK\$'000 | Hotel<br>operations<br>HK\$'000 | Construction,<br>decoration<br>services<br>and others<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|--|---------------------------------|---|-------------------|
| Revenue   |  |  |                                 |   |                   |
| External sales  | <u>22,586,519</u>                              | <u>1,711,662</u>   | <u>352,149</u>                  | <u>1,078,828</u>  | <u>25,729,158</u> |
| Result  |  |  |                                 |   |                   |
| Segment result  | <u>7,983,636</u>                               | <u>783,961</u>   | <u>(119,332)</u>                | <u>30,415</u>   | 8,678,680         |
| Unallocated other income                                  |  |  |                                 |   | 530,216           |
| Gain on changes in fair value<br>of investment properties |  |  |                                 |   | 2,947,302         |
| Unallocated expenses                                      |  |  |                                 |   | (285,313)         |
| Share of results of associates                            |  |  |                                 |   | 48,053            |
| Finance costs   |  |  |                                 |   | <u>(304,445)</u>  |
| Profit before taxation                                    |  |  |                                 |   | <u>11,614,493</u> |

### 3. REVENUE AND SEGMENT INFORMATION - continued

#### Year ended 31 December 2009

|   | Sale of<br>developed<br><u>properties</u><br>HK\$'000<br>(Restated) | Property<br>investments<br>and<br><u>management</u><br>HK\$'000<br>(Restated) | Hotel<br><u>operations</u><br>HK\$'000<br>(Restated) | Construction,<br>decoration<br>services<br><u>and others</u><br>HK\$'000<br>(Restated) | <u>Total</u><br>HK\$'000<br>(Restated) |
|---|---|---|--|--|--|
| Revenue   |   |   |  |  |  |
| External sales  | <u>14,450,366</u>   | <u>1,292,143</u>  | <u>44,423</u>  | <u>863,305</u>   | <u>16,650,237</u>                      |
| Result  |   |   |  |  |  |
| Segment result  | <u>4,126,565</u>  | <u>573,260</u>  | <u>(86,950)</u>                                      | <u>19,905</u>  | 4,632,780                              |
| Unallocated other income                                  |   |   |  |  | 249,462                                |
| Gain on changes in fair value<br>of investment properties |   |   |  |  | 2,362,270                              |
| Unallocated expenses                                      |   |   |  |  | (101,112)                              |
| Share of results of associates                            |   |   |  |  | 41,481                                 |
| Finance costs   |   |   |  |  | <u>(154,389)</u>                       |
| Profit before taxation                                    |   |   |  |  | <u>7,030,492</u>                       |

Except for investment properties which were reviewed based on cost, the accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of incomes or expenses which are not recurring in nature and unrelated to the Group's operating performance, fair value changes on investment properties, central administration costs, directors' salaries, share of results of associates and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

#### 4. INCOME TAX EXPENSE

|  | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000<br>(Restated) |
|--|-------------------------|---------------------------------------|
| Current tax:                             |                         |                                       |
| Hong Kong Profits Tax                    | (534)                   | (229)                                 |
| PRC Enterprise Income Tax                | <u>(1,752,440)</u>      | <u>(949,679)</u>                      |
|  | (1,752,974)             | (949,908)                             |
| Land appreciation tax ("LAT") in the PRC | (1,711,422)             | (752,134)                             |
| Deferred taxation:                       |                         |                                       |
| Current year                             | <u>(811,363)</u>        | <u>(583,078)</u>                      |
|  | <u>(4,275,759)</u>      | <u>(2,285,120)</u>                    |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Pursuant to the PRC Enterprise Income Tax law (the "EIT Law") and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate for domestic and foreign enterprises was unified at 25% and had become effective from 1 January 2008. For those subsidiaries enjoying a preferential tax rate, the new tax rate would increase from 15% over 5 years to 25% as a result of the grandfathering provisions.

#### 5. DIVIDENDS

|  | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000 |
|--|-------------------------|-------------------------|
| Dividends recognised as distribution during the year:  |                         |                         |
| 2010 Interim - HK9.5 cents (2009: 2009 Interim<br>HK5.4 cents) per share                                 | 470,595                 | 271,578                 |
| 2009 Final - HK18.3 cents (2009: 2008 Final<br>HK8.3 cents) per share                                    | 920,492                 | 391,373                 |
| Additional final dividend for prior year due to exercise<br>of share options and placement of new shares | <u>1,175</u>            | <u>25,543</u>           |
|  | <u>1,392,262</u>        | <u>688,494</u>          |
| Dividend proposed:   |                         |                         |
| Final dividend proposed for the year   |                         |                         |
| 2010 Final - HK21.5 cents (2009: 2009 Final HK18.3 cents)<br>per share                                   | <u>1,158,257</u>        | <u>920,492</u>          |

The final dividend of HK21.5 cents per ordinary share in respect of the year ended 31 December 2010 (2009: final dividend of HK18.3 cents per ordinary share in respect of the year ended 31 December 2009) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

## 6. EARNINGS PER SHARE

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

|  | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000<br>(Restated) |
|--|-------------------------|---------------------------------------|
| <u>Earnings</u>  |                         |                                       |
| Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company) | <u>6,026,470</u>        | <u>4,303,757</u>                      |
|  | <u>2010</u>             | <u>2009</u>                           |
| <u>Number of shares</u>  |                         |                                       |
| Weighted average number of ordinary shares for the purposes of basic earnings per share                                      | 5,030,169,590           | 4,886,605,294                         |
| Effect of dilutive potential ordinary shares on  |                         |                                       |
| - Share options  | 12,945,886              | 21,744,572                            |
| - Awarded shares - unvested  | <u>12,027,047</u>       | <u>-</u>                              |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share                                    | <u>5,055,142,523</u>    | <u>4,908,349,866</u>                  |

The weighted average number of ordinary shares shown above has been arrived at after deducting the effect on 21,681,000 shares (2009: 23,958,000 shares) held by BOCI - Prudential Trustee Limited, a trustee company for the Company's restricted share award scheme.

## 7. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS PAID

|   | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000<br>(Restated) | <u>1.1.2009</u><br>HK\$'000<br>(Restated) |
|---|-------------------------|---------------------------------------|---|
| Trade receivables                                       | 1,270,233               | 1,172,274                             | 1,196,111                                 |
| Less: allowance for doubtful debts                      | <u>(359,236)</u>        | <u>(349,661)</u>                      | <u>(349,888)</u>                          |
|   | 910,997                 | 822,613                               | 846,223                                   |
| Deposits paid for acquisition of land use rights (Note) | <u>16,183,270</u>       | <u>12,209,309</u>                     | <u>8,090,094</u>                          |
| Other receivables                                       | 1,079,073               | 1,497,136                             | 820,439                                   |
| Less: allowance for doubtful debts                      | <u>(375,182)</u>        | <u>(362,577)</u>                      | <u>(320,200)</u>                          |
|   | 703,891                 | 1,134,559                             | 500,239                                   |
| Prepayments and deposits                                | <u>2,061,131</u>        | <u>868,672</u>                        | <u>519,384</u>                            |
|   | <u>19,859,289</u>       | <u>15,035,153</u>                     | <u>9,955,940</u>                          |

Note: The amount represents the partial payments made by the Group for the acquisition of land use rights in the Chinese Mainland for property development for sale. The land use right certificates have not yet been obtained by the Group at the end of the reporting period. The management expects the deposits paid that they would obtain the land use right certificates in the coming twelve months after the end of the reporting period are HK\$16,183,270,000.

The followings are the aged analysis of trade receivables at the end of the reporting period:

### Aged analysis of trade receivables net of impairment

|                 | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000<br>(Restated) | <u>1.1.2009</u><br>HK\$'000<br>(Restated) |
|-----------------|-------------------------|---------------------------------------|---|
| Within one year | 713,699                 | 618,594                               | 640,053                                   |
| Over one year   | <u>197,298</u>          | <u>204,019</u>                        | <u>206,170</u>                            |
|                 | 910,997                 | 822,613                               | 846,223                                   |



**8. TRADE AND OTHER PAYABLES**

|                                    | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000<br>(Restated) | <u>1.1.2009</u><br>HK\$'000<br>(Restated) |
|------------------------------------|-------------------------|---------------------------------------|---|
| Trade payables                     | 5,419,815               | 4,128,648                             | 2,508,556                                 |
| Other payables and accrued charges | <u>2,367,299</u>        | <u>1,793,310</u>                      | <u>1,792,268</u>                          |
|                                    | <u>7,787,114</u>        | <u>5,921,958</u>                      | <u>4,300,824</u>                          |

The following is an aged analysis of trade payables at the end of the reporting period:

|                 | <u>2010</u><br>HK\$'000 | <u>2009</u><br>HK\$'000<br>(Restated) | <u>1.1.2009</u><br>HK\$'000<br>(Restated) |
|-----------------|-------------------------|---------------------------------------|---|
| Within one year | 3,738,053               | 2,378,376                             | 963,794                                   |
| Over one year   | <u>1,681,762</u>        | <u>1,750,272</u>                      | <u>1,544,762</u>                          |
|                 | <u>5,419,815</u>        | <u>4,128,648</u>                      | <u>2,508,556</u>                          |

# **CHAIRMAN'S STATEMENT**

## **2010 Annual Results and Dividend Distribution**

In 2010, the Group's consolidated turnover and profit attributable to shareholders reached HK\$25,729 million and HK\$6,026 million respectively, increased by 54.5% and 40.0% over the corresponding period of 2009. The residential development business turnover amounted to HK\$22,587 million, with a year on year growth of 56.3%; the turnover of investment property business including hotel business amounted to HK\$1,777 million, representing a year-on-year growth of 59.6%.

In 2010, residential development business witnessed a substantial enhancement in its gross profit margin with it rising by 5% from 34.1% in 2009 to 39.4%; EBITDA margin of property leasing business recorded a decline from 69.1% in 2009 to 60.2% in 2010, due primarily to Hangzhou MIXc, which came into operation at the end of April 2010, with relatively low first-year rental contribution due to certain rental free periods and relatively high initial operating expenses.

In consistence with its dividend payout policy, the Group declared a final dividend of HK21.5 cents per share, an increase of 17.5% compared to HK18.3 cents per share for the corresponding period of 2009. Together with the interim dividend of HK 9.5 cents, the annual dividend of 2010 amounted to HK31.0 cents per share. The payout ratio in 2010 was 27.0%, the same level as for 2009.

## **Land Bank**

During 2010, the Group added a total gross floor area of 6.60 million square meters to its land bank. Together with the new land bank acquired in Harbin, Zibo, Hefei, Taizhou and Dalian since the beginning of 2011, as of 23 March 2011, the Group has established its presence in 31 cities nationwide with a total land bank of 26.66 million square meters in gross floor area, of which land bank for residential development stood at 22.45 million square meters while that of investment properties under construction and investment properties in operation totaled 4.21 million square meters and 1.15 million square meters respectively.

The Group has now established a land bank portfolio that is reasonably balanced in its proportion for residential development and investment properties, ideally located in its geographic reach. Current land bank portfolio represents a strategic match to the Group's long term plan, can largely meet the needs for the Group's development in the coming years.

## **Vision and Development Strategy**

The Group has its vision to promote the value of urban life and help people fulfill their dreamed living, aims to become the most prominent integrated property company in China and a market leader in mid-to-high end residential and investment property sectors by way of its persistent pursuit of quality excellence and the "differentiated" competitive strategy and its adoption of unique business model of "residential development + property investment + value-added services".

The Group's "differentiated" competitive strategy, unique business model of "residential development + property investment + value-added services" along with "quality excellence" form the core components of the Group's development strategy, which in turn guarantees the Group to achieve its vision and helps to build up long-term core competitiveness.

Under guidance of the aforementioned strategies, after years of persistent efforts, the Group has formed six series of residential products, including Park Lane Manor Series, the premium high-rise residential products in urban area; Blue Lake City Series, the premium mixed density residential products in suburban area; Central Park Series, the elite high-rise residential products in city centre; Oak Bay Series, the elite mixed density residential products in suburb area; MIXc Residence / The Arc Series, the luxury high rise residential products in city centre; and The Bund Side Series, the luxury low rise residential products in suburb area. These product lines are tailored for different levels of customer needs from living improvement, quality pursuit to high-end home purchases. At present, the Group's metropolitan complex project "City Crossing", which has been highly recognized by the market and industry peers, has been introduced to eight cities in China, two of which have been completed, the other six are under construction. In addition, "Regional Commercial Center" (named as "Rainbow City Series"), currently being piloted in Beijing Oak Bay project, have further broadened our commercial product lines and expanded our geographic

presence. The Rainbow City Series have recently been introduced to several cities in China, including Beijing, Shanghai and Zibo.

Since its successful trial in Beijing Oak Bay Project, “the standardized and serialized storage space”, as the first of such value-added services put to the market, has already been extended to 17 cities; meanwhile, the Group has introduced other value-added services on a trial basis, including in-house developed “flexible/adjustable furniture”. Those services were applauded by customers and market when being applied in Beijing Eco Living project and helped the project to achieve better sales and command a premium in selling prices.

During the year under review, the Group had reformed its organizational structure and managerial framework to add a layer of regional headquarters between the group headquarters and city companies. Introduction of this new “dual-headquarter” managerial framework (group headquarter + regional headquarters) represents a major milestone in the evolution of corporate management structure of the Group, in light of the Group’s rapid expansion, by the needs for a more disciplined and systematic product duplication on a basis of well-established standardized product lines, and the needs for a more accelerated asset turnover. It is also aimed to better accommodate the Group’s long-stated differentiated business strategy and better serve the Group in its efforts to achieve its strategic goal of “high quality, high efficiency and low cost” more effectively. We believe this reform will have profound impacts to the Group that extend to its financial performance and beyond.

## **Prospects**

Since April 2010, the Chinese government has launched new rounds of tightening policies towards property sector. The introduction of the tightening measures has effectively reined property prices in China from rising further, the trend seen since the second half of 2009, and has curbed over-speculation in the sector. In the long run, these tightening measures are beneficial and essential for sustainable and healthy development of China’s property market. The ultimate purposes of these policies are to avoid the rapid and irrational increases in land cost and property prices, thus to ensure social harmony as well as sustainable development of the industry, while protecting the real economy from potential damage caused by the collapse of asset bubbles.

Despite the uncertainties in the industry, the Group is fully confident about achieving its target performance in 2011. On one hand, there will be substantial increase in both bookable GFA and saleable GFA in 2011; On the other hand, there will be an increased number of cities and projects contributing to revenues and contracted sales, with a much increased proportion from second or third tier cities where end-user demands dominate local markets. Furthermore, a new series of commercial properties, namely Hangzhou MIXc Phase 1 launched last year, Shenyang MIXc Phase 1 and Beijing Oak Bay Commercial (Rainbow City Phase 1) to be launched this year, will also become new growth drivers for our recurrent rental incomes. As of 23 March 2011, the Group has achieved total contracted sales of RMB5,054 million in 2011, representing an increase of 72.5% over the same period of 2010. Together with an unrecognized contracted value of RMB21,037 million achieved before 2011, the Group has so far locked in a total unrecognized development revenue of RMB26,091 million as of 23 March 2011, among which, RMB19,296 million will be booked in 2011, thus laying down a solid foundation for sustainable growth and promising financial results of 2011.

**Wang Yin**  
*Chairman*

25 March 2011, Hong Kong

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Residential Development Business in the Year of 2010

In 2010, the Group's total area sold reached 2,180,651 square meters, a slight increase of 1.3% over the same period of 2009, while total contracted sales was RMB 22,263 million, a decline of 11.3% compared with 2009, due to a higher contribution to contracted sales from tier two and tier three cities in comparison with that of 2009.

Sales breakdown by cities during the year of 2010 are set out as follows:

| City         | Contracted Value  |               | Area Sold        |               |
|--------------|-------------------|---------------|------------------|---------------|
|              | Rmb'000           | %             | Sqm              | %             |
| Beijing      | 2,063,764         | 9.3%          | 69,161           | 3.2%          |
| Shanghai     | 1,876,537         | 8.4%          | 38,075           | 1.7%          |
| Shenzhen     | 49,981            | 0.2%          | 1,242            | 0.1%          |
| Chengdu      | 4,854,488         | 21.8%         | 558,129          | 25.6%         |
| Wuhan        | 1,032,987         | 4.6%          | 90,450           | 4.1%          |
| Hefei        | 1,183,657         | 5.3%          | 173,785          | 8.0%          |
| Hangzhou     | 137,843           | 0.6%          | 14,880           | 0.7%          |
| Wuxi         | 1,137,418         | 5.1%          | 109,159          | 5.0%          |
| Ningbo       | 1,766,808         | 7.9%          | 88,589           | 4.1%          |
| Dalian       | 1,971,776         | 8.9%          | 216,816          | 9.9%          |
| Changsha     | 1,173,796         | 5.3%          | 261,413          | 12.0%         |
| Suzhou       | 321,401           | 1.4%          | 7,214            | 0.3%          |
| Chongqing    | 1,809,152         | 8.1%          | 255,179          | 11.7%         |
| Shenyang     | 1,188,853         | 5.3%          | 131,087          | 6.0%          |
| Fuzhou       | 1,434,839         | 6.4%          | 119,856          | 5.5%          |
| Mianyang     | 260,060           | 1.2%          | 45,616           | 2.1%          |
| <b>Total</b> | <b>22,263,360</b> | <b>100.0%</b> | <b>2,180,651</b> | <b>100.0%</b> |

Sales breakdown by projects in the year of 2010:

| Project          | City     | Project Type                 | Total GFA | Accumulated area sold as at 31 Dec 2010 (Sqm) | Area sold in the year of 2010 (Sqm) | Average selling price in the year of 2010 (RMB/Sqm) |
|------------------|----------|------------------------------|-----------|---|-------------------------------------|---|
| Oak Bay          | Beijing  | High density residential     | 616,757   | 260,817                                       | 59,108                              | 30,227  |
| Eco Living       | Beijing  | Mid-low density residential  | 217,490   | 126,505                                       | 4,181                               | 49,237  |
| The Bund Side    | Shanghai | High density residential     | 189,776   | 103,724                                       | 5,287                               | 96,325  |
| Oak Bay          | Shanghai | High density residential     | 230,795   | 85,856  | 32,788                              | 41,701  |
| Park Lane Manor  | Shenzhen | High density residential     | 110,000   | 100,003                                       | 1,242                               | 40,229  |
| Jade City        | Chengdu  | Mid-low density residential  | 1,063,542 | 946,450                                       | 116,955                             | 11,601  |
| Twenty-Four City | Chengdu  | High density residential     | 1,640,000 | 491,776                                       | 122,325                             | 10,315  |
| Phoenix City     | Chengdu  | High density residential     | 694,576   | 423,901                                       | 156,094                             | 8,336   |
| Oak Bay          | Chengdu  | Mid-high density residential | 523,511   | 67,182  | 67,182                              | 7,252   |
| Ginkgo Park      | Chengdu  | Mid-high density residential | 73,059    | 11,907  | 11,907                              | 8,343   |
| Central Park     | Wuhan    | High density residential     | 346,696   | 180,637                                       | 89,622                              | 11,472  |
| Park Lane Manor  | Hefei    | High density residential     | 195,004   | 189,005                                       | 50,776                              | 6,991   |
| Palace Glorious  | Hefei    | High density residential     | 199,500   | 122,283                                       | 122,283                             | 6,754   |

|                               |           |                              |           |         |         |        |
|-------------------------------|-----------|------------------------------|-----------|---------|---------|--------|
| Taihu International Community | Wuxi      | Mid-low density residential  | 1,017,698 | 417,154 | 109,159 | 10,420 |
| Tuscany Lake                  | Ningbo    | Low density residential      | 130,352   | 110,869 | 20,345  | 32,440 |
| Central Park                  | Cixi      | High density residential     | 284,348   | 129,756 | 63,486  | 16,936 |
| Oriental Xanadu               | Dalian    | Mid-low density residential  | 166,137   | 65,273  | 6,879   | 36,913 |
| Maritime                      | Dalian    | High density residential     | 1,309,592 | 373,546 | 182,658 | 8,458  |
| Suzhou Villa                  | Suzhou    | Low density residential      | 67,595    | 19,723  | 7,214   | 44,555 |
| Phoenix City                  | Changsha  | High density residential     | 1,198,040 | 460,424 | 258,654 | 4,487  |
| Twenty-Four City              | Chongqing | High density residential     | 1,951,620 | 335,582 | 182,466 | 7,129  |
| Central Park                  | Chongqing | Mid-high density residential | 572,665   | 72,713  | 72,713  | 6,992  |
| The Arc                       | Shenyang  | High density residential     | 280,000   | 137,804 | 77,265  | 8,683  |
| Oak Bay                       | Shenyang  | Mid-high density residential | 890,476   | 35,394  | 35,394  | 10,999 |
| Oak Bay                       | Fuzhou    | Mid-low density residential  | 603,108   | 118,264 | 118,264 | 12,040 |
| Central Park                  | Mianyang  | Mid-high density residential | 861,916   | 45,616  | 45,616  | 5,701  |

### **Details of the Projects Delivered and Booked in 2010**

During 2010, the Group's residential development business achieved a turnover of 22,587 million with 1,790,678 square meters being recognized, representing a year on year growth of 56.3% and 55.6% respectively. The Group's gross profit margin of the residential development business rose substantially by 5% from 34.1% in 2009 to 39.4% in 2010, driven by increased prices for recognized projects and a rise in proportion of high margin projects being recognized in 2010.

Details of the projects booked and turnover of the Group in 2010 are listed below:

| <b>Project Name</b>                | <b>Turnover<br/>HK\$'000</b> | <b>Area Booked<br/>Sqm</b> |
|------------------------------------|------------------------------|----------------------------|
| Beijing Oak Bay                    | 910,836                      | 54,467                     |
| Beijing Eco Living                 | 508,453                      | 29,100                     |
| Beijing Others                     | 78,814                       | 4,039                      |
| Beijing Subtotal                   | 1,498,103                    | 87,606                     |
| The Bound of Bund                  | 11,422                       | 288                        |
| Shanghai Oak Bay                   | 1,663,477                    | 35,502                     |
| Shanghai Subtotal                  | 1,674,899                    | 35,790                     |
| Shenzhen Park Lane Manor           | 612,078                      | 15,915                     |
| Chengdu Jade City                  | 1,268,587                    | 131,696                    |
| Chengdu Phoenix City               | 1,630,703                    | 186,190                    |
| Chengdu 24 City                    | 1,475,094                    | 147,775                    |
| Chengdu Oak Bay                    | 59,583                       | 6,631                      |
| Chengdu Subtotal                   | 4,433,967                    | 472,292                    |
| Wuhan Phoenix City                 | 5,530                        | 827                        |
| Wuhan Central Park                 | 1,185,582                    | 110,270                    |
| Wuhan Subtotal                     | 1,191,112                    | 111,097                    |
| Hefei French Annecy                | 5,260                        | 1,049                      |
| Hefei Park Lane Manor              | 1,168,361                    | 171,904                    |
| Hefei Subtotal                     | 1,173,621                    | 172,953                    |
| Hangzhou MIXc Residence            | 3,333,320                    | 115,098                    |
| Wuxi Taihu International Community | 1,281,413                    | 148,273                    |
| Ningbo Tuscany Lake                | 1,126,856                    | 37,461                     |
| Dalian Oriental Xanadu             | 2,382,194                    | 85,875                     |

|                       |                   |                  |
|-----------------------|-------------------|------------------|
| Dalian Maritime       | 1,925,099         | 221,455          |
| Dalian Subtotal       | 4,307,293         | 307,330          |
| Suzhou Villa          | 622,469           | 15,321           |
| Changsha Phoenix City | 517,797           | 118,426          |
| Chongqing 24 City     | 813,591           | 153,116          |
| <b>Total</b>          | <b>22,586,519</b> | <b>1,790,678</b> |

Since the beginning of 2011, the Group maintains its momentum in delivering stable and preferable performance in project sales. In 2011, up to 23 March, the Group has achieved contracted value of RMB5,054 million with a contracted GFA of 452,500 square meters, representing year on year growth of 72.5% and 47.3% respectively. As of 23 March 2011, the Group has achieved total contracted value of RMB26,091 million that are subject to recognition in 2011 and years to come, including contracted value of RMB21,037 million in property sales that was achieved before 2011 but not yet recognized. Specifically, the Group has locked up total revenue of RMB19,296 million from the residential property development for recognition in 2011, thus laying down a solid foundation for promising financial results of 2011.

### **Review of Investment Property Business in 2010**

As of 31 December 2010, book value of the investment properties of the Group totaled HK\$21,953 million, which accounted for 17.5% the total assets of the Group. In compliance with relevant accounting policies, the Group had conducted an evaluation for its investment properties, including projects under construction, and revaluation gain of HK\$1,758 million (net off taxation and minority interests) were booked during the period based on an appraisal performed by an independent third party. In the year of 2010, the turnover of investment property business including hotel business amounted to HK\$1,777 million, representing a year-on-year growth of 59.6%.

The following table sets out the turnover and average occupancy rates of the key investment properties in the year of 2010:

| Investment Property              | Turnover (HK\$'000) |         |        | Average Occupancy Rate (%) |       |        |
|----------------------------------|---------------------|---------|--------|----------------------------|-------|--------|
|                                  | 2010                | 2009    | yoy(%) | 2010                       | 2009  | yoy(%) |
| Beijing China Resources Building | 164,662             | 152,667 | 7.9%   | 98.1%                      | 94.4% | 3.7%   |
| CR Land Beijing Others           | 145,924             | 103,065 | 41.6%  | 95.8%                      | 96.6% | -0.8%  |
| Shanghai CR Times Square         | 207,278             | 189,144 | 9.6%   | 99.1%                      | 94.5% | 4.6%   |
| Shenzhen City Crossing           | 760,633             | 611,771 | 24.3%  | 97.1%                      | 99.9% | -2.8%  |
| Hangzhou The MIXc                | 126,779             | 2,197   | N/A    | 89.3%                      | N/A   | N/A    |
| Other Rental Income              | 371,304             | 10,117  | N/A    | N/A                        | N/A   | N/A    |
| Property Management              | 287,231             | 223,183 | 28.7%  | N/A                        | N/A   | N/A    |

Details of the Group's major investment properties in the PRC are listed below:

| Property Name            | City     | Interest Attributable to the Group | Total GFA (Sqm) | Attributable GFA(Sqm) | Usage    |
|--------------------------|----------|------------------------------------|-----------------|-----------------------|----------|
| Shenzhen City Crossing   | Shenzhen | 100.0%                             | 323,748         | 323,748               |          |
| The MIXc                 |          |                                    | 159,585         | 159,585               | Retail   |
| CR Building              |          |                                    | 40,990          | 40,990                | Office   |
| Grand Hyatt Hotel        |          |                                    | 67,506          | 67,506                | Hotel    |
| Car Park                 |          |                                    | 55,667          | 55,667                | Car Park |
| Huarui Building          | Shenzhen | 100.0%                             | 13,789          | 13,789                | Hotel    |
| Shanghai CR Times Square | Shanghai | 100.0%                             | 97,139          | 97,139                |          |
| Mall                     |          |                                    | 51,190          | 51,190                | Retail   |

|   |          |        |                  |                |               |
|---|----------|--------|------------------|----------------|---------------|
| Office                                      |          |        | 36,843           | 36,843         | Office        |
| Car Park                                    |          |        | 9,106            | 9,106          | Car Park      |
| Beijing CR Building                         | Beijing  | 100.0% | 65,222           | 65,222         | Office        |
| Xidan Cultural Centre                       | Beijing  | 96.3%  | 36,184           | 34,845         | Retail        |
| Grand Constellation Shopping Mall           | Beijing  | 96.3%  | 16,787           | 16,166         | Retail        |
| U-space Mall                                | Beijing  | 96.3%  | 10,685           | 10,290         | Retail        |
| Jing Tong Shops                             | Beijing  | 96.3%  | 17,952           | 17,288         | Retail        |
| Beijing Phoenix City Commercial Street      | Beijing  | 96.3%  | 13,210           | 12,721         | Retail        |
| Huawei Centre                               | Beijing  | 48.2%  | 54,214           | 26,104         | Retail        |
| Huanan Building                             | Beijing  | 15.3%  | 70,058           | 10,722         | Retail        |
| Building 22,Guanyingyuan                    | Beijing  | 96.3%  | 4,155            | 4,001          | Office        |
| Jin Hui Garden                              | Beijing  | 96.3%  | 3,926            | 3,781          | Retail        |
| Building 49, Fortune Island, La Firenze     | Beijing  | 96.3%  | 5,681            | 5,471          | Retail        |
| Building 1, Plot B2,La Firenze              | Beijing  | 96.3%  | 2,007            | 1,933          | Retail        |
| Block A, Phoenix Plaza, Office              | Beijing  | 96.3%  | 30,789           | 29,650         | Office        |
| Block A, Phoenix Plaza, Car Park            | Beijing  | 96.3%  | 13,242           | 12,752         | Car Park      |
| Others                                      | Beijing  | 96.3%  | 34,729           | 33,444         | Others        |
| The MIXc Ph.1                               | Hangzhou | 60.0%  | 242,845          | 145,707        |               |
| The MIXc                                    |          |        | 173,709          | 104,225        | Retail        |
| Car Park                                    |          |        | 69,136           | 41,482         | Car Park      |
| Hainan Wanning Shimei Bay Le Meridien Hotel | Wanning  | 100.0% | 41,926           | 41,926         | Hotel         |
| Chengdu Jade City, Retail                   | Chengdu  | 100.0% | 42,032           | 42,032         | Retail/Others |
| Wuhan Central Park, Retail                  | Wuhan    | 100.0% | 9,922            | 9,922          | Retail/Others |
| <b>Total GFA</b>                            |          |        | <b>1,150,242</b> | <b>958,652</b> |               |
| Comprising : Retail                         |          |        | 649,920          | 489,052        |               |
| Office                                      |          |        | 177,770          | 176,486        |               |
| Hotel                                       |          |        | 123,221          | 123,221        |               |
| Others                                      |          |        | 199,331          | 169,893        |               |

\*Not including Beijing Phoenix Plaza, Beijing Oak Bay Commercial Property, Beijing China Resources Building Phase II, Shanghai Bund Side Serviced Apartment, Shanghai Wuzhong Road Project Commercial Property, Chengdu Jade City Commercial Property, Chengdu Twenty-Four City Commercial Property, Chengdu Oak Bay Commercial Property, Mianyang Project Commercial Property, Chengdu Donghu Project Commercial Property, Chengdu Jinsha Project Commercial Property, Chengdu Ginkgo Park Commercial Property, Chengdu Donglin Project Commercial Property, Hefei Park Lane Manor Commercial Property, Hefei MIXc Project, The MIXc Phase II in Hangzhou, Wuxi Taihu International Community Commercial Property, Hotel in Dalian Oriental Xanadu, Dalian Ganjingzi Huanan Project Commercial Property, Changsha Phoenix City Commercial Property, Suzhou Xiangcheng Project Commercial Property, Chongqing Twenty-Four City Commercial Property, The MIXc in Shenyang, Shenyang CR Plaza, Qingdao Submarine School Project Commercial Property, Anshan Education Bureau Project Commercial Property, Zhengzhou Minzhu Road Project, Changchun Southern New District Project Commercial Property, Harbin Songbei Project Commercial Property, Zibo Zhangdian Central District Project Commercial Property, Taizhou Zhoushanhe Project Commercial Property, Hainan Shimei Bay Project Commercial Property, all of which are currently under construction involving a total gross floor area of 4,213,698 square meters.

In the future, the Group plans to launch one to two investment property projects each year. The stable and recurrent rental income will offer the Group a greater operational resilience to defend against risks of industry fluctuations while optimizing the Group's sustainable profitability.

## **Review of Value-added Services in 2010**

By fully utilizing the Group's traditional advantages on decoration business, the Group rolled out its "standardized and serialized storage space total solution system", which was developed after careful study to understand customer needs and have those needs being thoroughly considered and reflected in product R&D, design and product realization. Based on the successful trials of the system at Beijing Oak Bay and Eco Living projects, the Group standardized and modularized the solution system, and implemented it in 17 cities, where it was well received by the market.

During the year, the Group extends its value-added service from the storage space solution system to flexible/adjustable furniture. The R&D efforts in flexible/adjustable furniture system was also positively received and recognized by the market as well. Moreover, research on value-added service on public spaces for residential projects and application of those services in various "City Crossing" projects have also achieved preliminary results.

## **Land Bank**

In 2010, the Group added 6.60 million square meters to its land bank at an aggregated cost of RMB18,910 million (including HK\$7,901 million paid for asset injection from China Resources Holding Limited). As of 23 March 2011, the Group has acquired 3.12 million square meters in 2011 at a total cost of RMB5,154 million, newly entered cities including Taizhou, Harbin, Hefei, Zibo and Dalian. As of 23 March 2011, the total land bank of the Group amounted to 26.66 million square meters in terms of GFA. Details are set out below:

| <b>Location</b> | <b>Total GFA(Sqm)</b> |
|-----------------|-----------------------|
| Beijing*        | 1,356,023             |
| Shanghai*       | 1,140,057             |
| Chengdu         | 3,215,329             |
| Wuhan           | 645,148               |
| Hefei           | 1,728,759             |
| Hangzhou*       | 504,237               |
| Wuxi*           | 851,715               |
| Ningbo*         | 456,068               |
| Dalian*         | 1,755,763             |
| Changsha        | 1,177,205             |
| Suzhou          | 694,452               |
| Chongqing       | 2,013,378             |
| Shenyang*       | 2,236,277             |
| Mianyang        | 719,673               |
| Xiamen          | 305,439               |
| Tianjin*        | 851,222               |
| Fuzhou          | 469,724               |
| Nantong         | 401,923               |
| Anshan          | 586,400               |
| Qingdao*        | 745,400               |
| Zhengzhou       | 464,000               |
| Yangzhou        | 200,260               |
| Tangshan        | 463,450               |
| Changchun       | 327,300               |
| Wanning         | 1,002,075             |
| Xuzhou          | 309,928               |
| Nanchang        | 279,923               |
| Taizhou         | 992,523               |
| Harbin          | 198,250               |



|              |                   |
|--------------|-------------------|
| Zibo         | 570,000           |
| <b>Total</b> | <b>26,661,901</b> |

\*The Group's interest is 100.0% in both Beijing Daxing 17# project and Beijing Mentougou project, 98.1% in Beijing Oak Bay Project and 96.3% in all other projects in Beijing. The Group's interest is 50.0% in Shanghai Wuzhong Road Project, 99.8% in Shanghai Oak Bay Project and 100.0% in all other projects in Shanghai. In addition, the Group's interests in Hangzhou The MIXc project and Wuxi projects are both 60.0%. The Group's interest in Ningbo Beilun Project is 50.0%, and the Group's interest in all other projects in Ningbo is 100.0%, while the Group's interest in Dalian Oriental Xanadu is 55.0%. The Group's interests in Tianjin projects are 98.1% and its interest in Qingdao project is 96.3%. The Group also owns a 51.0% interests in Shenyang Changqing project.

Sufficient land bank laid solid foundation for the Group's steady growth in the future. The Group's geographic reach has been extended from 22 to 31 cities (with the addition of Yangzhou, Tangshan, Changchun, Wanning, Xuzhou, Nanchang, Taizhou, Harbin and Zibo).

Looking forward, the Group will continue to acquire new land bank according to its business development strategies while maintaining prudent financial policies. Future land bank acquisition will be funded by its internal resources together with external financing.

### **Share Placement, Borrowings and Debt Ratio, Asset Mortgage, and Risk of Interest Fluctuation**

As of 31 December 2010, the Groups had a total gross borrowing of HK\$ 37,807 million, cash and bank balance of HK\$ 11,972 million, while the Group's net debt to equity ratio stood at 56.3%.

As of 31 December 2010, 36.1% and 63.9% of the Group's borrowings were denominated in Renminbi and HK dollar respectively. Among the total borrowings, approximately 22.6% of the bank borrowings are repayable within one year while the rest are long term borrowings. The Group has maintained its borrowing cost at a relatively low level, the weighted average interest rate of its bank borrowings as at 31 December 2010 was around 2.4% only.

Details of the Group's assets being pledged as of 31 Dec 2010 are listed below:

| Pledged Project          | Total Facility Quota | Starting Date | Ending Date |
|--------------------------|----------------------|---------------|-------------|
|                          | (RMB'000)            |               |             |
| Beijing CR Building      | 700,000              | 2008.12.22    | 2013.12.22  |
| Shanghai CR Times Square | 50,000               | 2009.08.25    | 2011.08.25  |
| Shanghai CR Times Square | 500,000              | 2009.08.31    | 2016.08.31  |
| Shanghai CR Times Square | 450,000              | 2009.11.12    | 2011.11.12  |
| Shenzhen CR Building     | 400,000              | 2009.11.20    | 2014.01.20  |
| Shenzhen The MIXc Ph.1   | 1,500,000            | 2010.08.26    | 2021.08.25  |
| Shenzhen The MIXc Ph.1   |                      | 2010.10.25    | 2013.10.23  |
| <b>Total</b>             | <b>3,600,000</b>     |               |             |

All of the Group's residential and investment properties are located in mainland China. We do not expect Renminbi appreciation, if any, to have negative impact on the Group's financial positions.

### **Employee and Compensation Policy**

As of 31 December 2010, the Group had approximately 11,228 full time staff in Mainland China and Hong Kong (including its property management and agency subsidiaries). The Group remunerates its employees based on its performance, experience and the prevailing market wage level. In addition, performance bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical coverage, share option scheme, and restricted share award scheme, etc.

### **Corporate Governance**

Throughout the year ended 31 December 2010, the Company has complied with the code provisions set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong

Kong Limited (the “Stock Exchange”) (Code on Corporate Governance Practices) with the exception of the following deviation. The considered reasons are as follows:

Code provision A.4.1: non-executive directors should be appointed for a specific term, subject to retirement and re-election by rotation at annual general meetings.

Except Mr. Andrew Y. Yan, other directors for the time being of the Company (including executive or non-executive directors) are not appointed for a fixed term. The Articles of Association of the Company stipulate that every director (including executive or non-executive directors) retire and be re-elected at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the Code.

### **Model Code**

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

### **Restricted Share Award Scheme**

As an incentive to retain and encourage the employees for the continual operation and development of the Group, the Board of the Company resolved to adopt the Restricted Share Award Scheme (the “Scheme”) on 30 May 2008 (the “Adoption Date”). The Scheme was subsequently amended on 8 December 2009. Unless sooner terminated by the Board of Directors, the Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of 10 years. According to the Scheme, shares up to 2.5% of the issued share capital of the Company as at the Adoption Date will be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Scheme.

Up to 31 December 2010, the Company had through Trustee purchased 32,464,000 shares, representing 0.8045% of the issued share capital of the Company as at the Adoption Date, from the market at an aggregate consideration of HK\$316,671,362.36 (including transaction costs). During the period ended 31 December 2010, a total of 21,975,904 shares of the Company had been awarded to the directors and employees of the Group at no consideration, among which 10,782,806 shares have been vested during the period. The sale proceeds of the vested shares were and will be transferred to the relevant directors and employees in accordance with the provisions of the Scheme. As at the date of this announcement, a total number of 21,681,194 unvested shares have been held in trust by the Trustee.

### **Purchase, Sale or Redemption of Listed Securities**

Save as disclosed above under “**Restricted Share Award Scheme**”, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s list securities during the year ended 31 December 2010.

### **Financial Derivative Instruments**

During the year 2008, the Company timely seized the opportunity of current subdued interest rate level caused by the sub-prime mortgage crisis outbreak in the United States, and has fixed the interest costs of a portion of its HK\$ loans at relatively low levels by entering into interest rate swap transactions. The swap transactions involved HK\$3 billion in total, of which HK\$1 billion had a swap period of four years and the rest in a five year period. Due to decreases in swap rates in the market since our transactions, as of 31 December 2010, the Company recorded a mark-to-market loss for which a provision was made in the annual results.

### **Review by Audit Committee**

The 2010 Final Results has been reviewed by Audit Committee which comprises five independent non-executive directors.

## **Final Dividend**

The Board has resolved to declare a final dividend of HK21.5 cents per share for the year ended 31 December 2010 (2009: HK18.3 cents) payable on or about 5 July 2011 to shareholders whose names appear on the Register of Members of the Company on 1 June 2011.

## **Closure of Register of Members**

The Register of Members will be closed from 26 May 2011 (Thursday) to 1 June 2011 (Wednesday), both days inclusive. In order to be eligible for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Tricor Standard Limited of 26<sup>th</sup> Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 25 May 2011 (Wednesday).

## **Publication of Information on the Website of the Stock Exchange**

The Company's 2010 Annual Report containing the relevant information required by the Listing Rules will be published on the website of the Stock Exchange and the Company in due course.

By Order of the Board  
**China Resources Land Limited**  
**Wang Yin**  
*Chairman*

25 March 2011, Hong Kong

*As at the date of this announcement, the board of directors of the Company comprises two executive directors, namely Mr. Wang Yin (Chairman) and Mr. Wu Xiangdong (Managing Director); six non-executive directors, namely Mr. Yan Biao, Mr. Du Wenmin, Mr. Ding Jiemin, Mr. Shi Shanbo, Mr. Wei Bin and Dr. Zhang Haipeng; and five independent non-executive directors, namely Mr. Wang Shi, Mr. Ho Hin Ngai, Bosco, Mr. Andrew Y. Yan, Mr. Wan Kam To, Peter and Mr. Frederick Ma Si Hang.*