瑞安房地產
SHUI ON LAND

SUSTAINABLE AND BALANCED GROWTH

Shui On Land Limited

Annual Report 2011

Stock Code 272

SUSTAINABLE AND BALANCED GROWTH

Our design this year is based on the five elements of Chinese tradition: metal, wood, water, fire and earth. According to Chinese thought, maintaining a balance between these elements of nature is the key to a long and healthy life.

This holistic approach is one that Shui On Land incorporates into its business planning and practice. We aim to balance the various aspects of our business in order to optimise risk management. We grow our revenues and profits on the basis of master-planned developments that are in harmony with China's economic and demographic change. We benefit our shareholders in a way that is sustainable over the long term.

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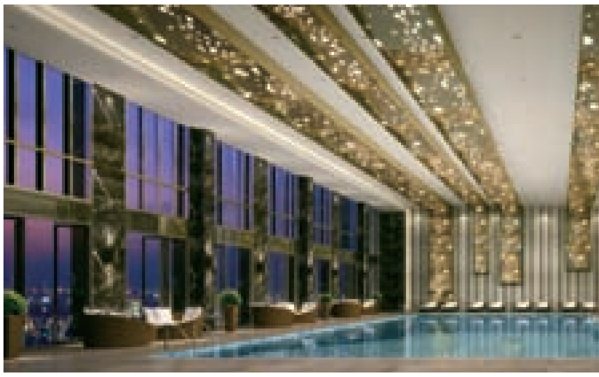
INNOVATIVE
PROPERTY DEVELOPER IN CHINA





A PIONEER IN CUSTOMISATION TO FULFILL CUSTOMERS' NEEDS

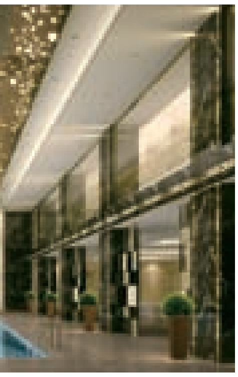
Shui On Land is one of China's most visionary and innovative property developers. To meet the rapid growth of housing demand and of our customer's changing needs, we are accelerating the completion of our projects while focusing on our core value of innovation by introducing both customisation and standardisation.

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

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

VISION

To be the premier and most innovative property developer in China



BRAND PROMISE

Innovation • Quality • Excellence

SHUI ON SPIRIT

Integrity • Dedication • Innovation • Excellence

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

OUR COMMITMENT TO

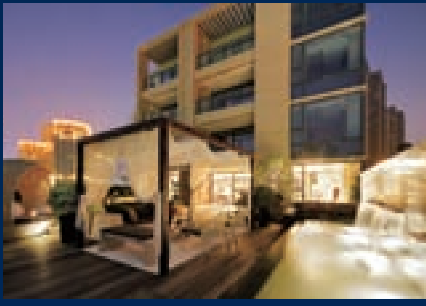
Investors	We are committed to providing attractive and sustainable returns for our investors based on a well-planned, long-term growth trajectory and strategic direction.
Customers	The expectations of our customers are always at the forefront of our thinking and planning, enabling us to provide high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

SOLID PERFORMANCE

Despite a challenging operating environment, we have made steady progress on implementing our Three-Year Plan, to generate

higher profits



FINANCIAL HIGHLIGHTS

OPERATING RESULTS FOR THE YEAR ENDED 31 DECEMBER

	2011 HK$'million	2010 HK$'million	2011 RMB'million	2010 RMB'million
Turnover	**10,249**	5,611	**8,484**	4,879
Represented by:				
Property development	**9,158**	4,753	**7,581**	4,133
Property investment	**1,026**	812	**849**	706
Others	**65**	46	**54**	40
Gross profit	**4,471**	2,312	**3,701**	2,010
Increase in fair value of investment properties	**3,257**	3,118	**2,696**	2,711
Share of results of associates	**165**	67	**137**	58
Profit attributable to shareholders	**4,141**	3,230	**3,428**	2,809
Basic earnings per share	**HK$0.80**	HK$0.63	**RMB0.66**	RMB0.55
Dividend per share				
Interim paid	**HK$0.025**	HK$0.06	**HK$0.025**	HK$0.06
Proposed final	**HK$0.10**	HK$0.05	**HK$0.10**	HK$0.05
Full year	**HK$0.125**	HK$0.11	**HK$0.125**	HK$0.11

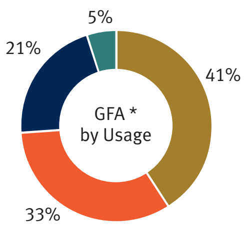
Note:
Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.208 for 2011 and RMB1.000 to HK$1.150 for 2010 being the average exchange rates that prevailed during the respective years.

FINANCIAL POSITION AS OF 31 DECEMBER

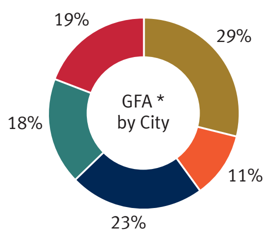
	2011 RMB'million	2010 RMB'million
Total bank balances and cash	**6,370**	6,790
Total assets	**68,604**	56,253
Total equity	**29,471**	26,028
Total debt	**25,488**	18,245
Bank and other borrowings	**16,743**	13,183
Convertible bonds	**2,225**	2,117
Notes	**6,520**	2,945
Net gearing ratio*	**65%**	44%

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

LANDBANK AS OF 31 DECEMBER 2011



	million sq.m.
Residential	4.5
Office	3.8
Retail	2.3
Hotel/Serviced Apartment	0.5
Total leasable and saleable GFA	11.1
Attributable GFA	8.2

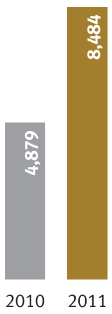


	million sq.m.
Shanghai	2.8
Wuhan	1.1
Chongqing	2.5
Foshan	1.5
Dalian	3.2
Total leasable and saleable GFA	11.1
Attributable GFA	8.2

* Percentages are calculated based on attributable GFA

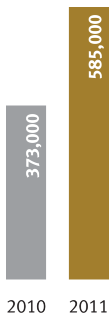
TURNOVER

(RMB'million)



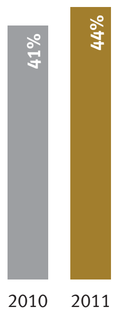
TOTAL GFA COMPLETED

(sq.m.)



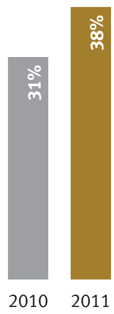
GROSS PROFIT MARGIN

(%)



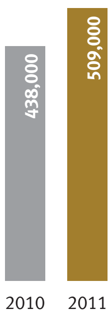
OPERATING EBITDA MARGIN

(%)



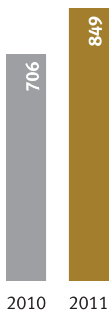
INVESTMENT PROPERTY PORTFOLIO – LEASABLE GFA

(sq.m.)



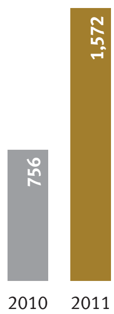
RENTAL INCOME

(RMB'million)



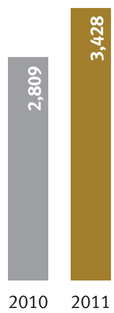
CORE EARNINGS

(RMB'million)



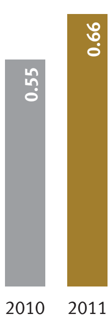
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB'million)



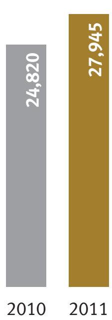
BASIC EARNINGS PER SHARE

(RMB/Share)



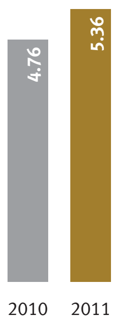
SHAREHOLDERS' EQUITY

(RMB'million)



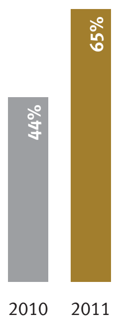
SHAREHOLDERS' EQUITY PER SHARE

(RMB/Share)



NET GEARING RATIO

(%)



ACHIEVEMENT HIGHLIGHTS

We are progressing on schedule to achieve the goals outlined in our Three-Year Plan. Our chosen strategy and direction have continued to strengthen our performance and our ability to sustain growth. The effort we have made towards achieving our goals was recognised in a number of awards in 2011.

MARCH

The construction of THE HUB inaugurated.

Mr. Freddy C. K. LEE took over the role of CEO; Mr. Vincent H. S. LO remains Chairman of the Board of Directors.

KIC Lots 5\7-7\7-9 received "Energy conservation and emission reduction demonstration project in Yangpu District, Shanghai" by People's Government of Shanghai Yangpu District.

MAY

The Group obtained "2011 China Top 50 Real Estate Listed Companies of Comprehensive Strength" by China Real Estate Appraisal.

JUNE

The Group received "Corporate Governance Asia Recognition Awards 2011 – The Best of Asia 2011" presented by Corporate Governance Asia.

Mr. Vincent H. S. LO, Chairman of the Group was awarded "Asian Corporate Director Recognition Awards 2011" by Corporate Governance Asia.

JULY

The Group received "Top 10 CSR Case Award of Shanghai Association of Enterprises with Foreign Investment in Shanghai" presented by Shanghai Association of Enterprises with Foreign Investment.

AUGUST

The Group's Annual Report 2010 received four awards at the international ARC Awards 2011 including:

Gold Award (Printing & Production – Real Estate Development/Service: Various & Multi-Use Category)

Gold Award (Interior Design – Property Category)

Silver Award (Cover Photo/Design – Real Estate Development/Service: Various & Multi-Use Category)

Bronze Award (Chairman's Letter – Real Estate Development/Service: Various & Multi-Use Category)

SEPTEMBER

The Group received "China Outstanding Enterprises Award 2011" presented by Hong Kong Economic Digest Magazine.

DECEMBER

The Group received "Hong Kong Green Awards 2011 – Green Management Award – Gold (Large Corporation)" by Green Council.

The Group received "Hong Kong Corporate Governance Excellence Award 2011" presented by The Chamber of Hong Kong Listed Companies.

Rui Hong Xin Cheng Phase 3 Lot 4 received "Chinese Green Building 2 Star rating" by Ministry of Housing and Urban-Rural Development of the People's Republic of China.

The Group's Annual Report 2010 won the "Silver Award (Annual Report: Real Estate Holding Co. Category)" at the Galaxy Awards 2011.

The Group obtained "2011 The Most Influential Brand" by Dalian Evening News Paper.

LEED

Several projects achieved LEED Certification by the U.S. Green Building Council (USGBC) including,

MARCH

Chongqing Tiandi Lot B12-1/02 achieved LEED – Core & Shell Pre-certification Gold rating.

MAY

Wuhan Tiandi Corporate Centre 5 achieved LEED – Core & Shell Pre-certification Gold rating.

KIC office achieved LEED – Commercial Interiors Gold rating.

JULY

Foshan Lingnan Tiandi achieved LEED – Neighbourhood Development Pilot Version Stage 2 Gold rating (Pre-certification).

AUGUST

Dalian Tiandi Site D14 achieved LEED – Core & Shell Pre-certification Gold rating.

SEPTEMBER

Chongqing Tiandi Lot B3 achieved LEED – Core & Shell Gold rating.

OCTOBER

Wuhan Tiandi Lot A4 achieved LEED – Core & Shell Gold rating.

DECEMBER

Chongqing Tiandi Lot B12-3 Retail achieved LEED – Core & Shell Pre-certification Gold rating.

Chongqing Tiandi Lot B12-4 Retail achieved LEED – Core & Shell Pre-certification Gold rating.

LONG-RANGE PLANNING

Our master-planned developments in China that are now maturing should enable us to achieve one million sq. m. of delivery in 2012, once again

meeting targets

“Another important factor underpinning our success in the past year has been the reorganisation of our senior management. This has allowed us not only to meet the immediate challenge of the difficult market, but creates a solid foundation for future growth.”

Vincent H. S. LO
Chairman

CHAIRMAN'S STATEMENT

Despite a challenging operating environment in the past year, an increase in revenue and profit is being reported. We achieved our target of increasing the volume of contracted sales to 527,500 sq. m., while largely maintaining average selling prices. The location and quality of our properties has attracted an unusually high level of institutional interest. This was a good performance.

I am pleased to report that your Group has been able to make steady progress on the execution and implementation of our Three-Year Plan. Despite a challenging operating environment in the past year, an increase in revenue and profit is being reported.

IMPROVED FINANCIAL RESULTS

For the year ended 31 December 2011, Shui On Land generated turnover of RMB8,484 million (HK$10,249 million), representing an increase of 74% compared to 2010. Profit attributable to shareholders was RMB3,428 million or HK$4,141 million (2010: RMB2,809 million or HK$3,230 million), a 22% increase over 2010. Basic earnings per share were RMB0.66 (HK$0.80), 20% higher than in 2010. Your Board has recommended a final dividend of HK$0.10, bringing the total dividend for the year to HK$0.125, against the HK$0.11 declared in 2010.

SOUND BALANCE SHEET

We remain soundly financed. In late 2010 and early 2011 we raised RMB9.22 billion of new debt via three well-received bond issues. As a result, as at 31 December 2011, we had bank balances and cash of RMB6.37 billion. Our gearing ratio, at 65%, although higher than last year, remained at an acceptable level considering the market conditions. In January 2012 we raised additional capital through an issue of S$250 million in senior notes. In February 2012 we issued US$475 million in notes. Together with continued inflows of cash from property sales, we therefore have a strong cushion to fund our operations.

A COMPETITIVE POSITION IN THE MARKET

During 2011, we achieved our target of increasing the volume of contracted sales to 527,500 sq.m., while largely maintaining average selling prices. This was a good performance.

Since late 2010, China's Central Government has pursued policies to sustain economic growth, while at the same time curbing the rise in residential property prices, owing to concerns about affordability. There have been increasing restrictions on the sale of property, and property taxes have been introduced in Shanghai and Chongqing. At the same time, credit for homebuyers and developers has become much tighter, following the policy to reduce the amount of credit available to the property market.

The result has been a marked slowdown in the residential property market. Since the final quarter of 2011, falling sales volumes and declines in prices have been recorded in cities across China, with developments outside the city centres especially affected. Needing to raise cash, developers without strong balance sheets have been forced to reduce prices in an attempt to generate sales.

Shui On Land is in a more favourable position. Our large scale projects, each based on a comprehensive master plan, are all maturing as planned community and remain attractive to buyers by virtue of their location and quality.

STRENGTHENING MANAGEMENT

Another important factor underpinning our success in the past year has been the reorganisation of our senior management. This has allowed us not only to meet the immediate challenge of the difficult market, but creates a solid foundation for future growth.

In 2011, with the approval of your Directors and with the support of our senior management team, I handed over the responsibilities of CEO to our Managing Director Freddy C. K. LEE. Thanks to careful planning and preparation, the transition has gone very smoothly. It has allowed me to focus more on my duties as Chairman and I have deliberately reduced the amount of time I spent in Shanghai in the past year in order to give Freddy the space he needs to establish himself in the shortest period of time. We are now working to ensure that the Board and the senior management team co-operate well to ensure a coherent future strategy for the Group, as we begin to draw up our next Three-Year Plan in the coming year.

The reduction of the number of departments in your Group from 37 to 13 and the decentralisation of decision-making to project directors and the project teams has also paid significant dividends. The rapidly changing tone of the China property market has put a premium on being able to respond quickly to changes on the ground. This is precisely what the reorganisation has achieved, and it has played an important part in our being able to achieve our sales targets.

This new approach to management will be strengthened from 2012, when we implement a new long-term incentive scheme, which has now been approved both by the Remuneration Committee and your Board. By rewarding senior management over the long term for above-target performance, we aim to promote integrated growth through closely aligning corporate and management interests in the pursuit of rapid yet sustainable expansion.

INSTITUTIONAL INTEREST SUPPORTS SALES

As noted, sales at our projects have been encouraging overall, despite the difficult market. The location and quality of our properties have attracted an unusually high level of institutional interest. The major contributions to sales came from completion of several large en bloc sales of our non-core commercial properties to major financial institutions including ICBC, Ping An Insurance and local government organisations in Shanghai, Chongqing and Wuhan.

Certain unique features of our service have supported our sales effort. These include the three-year warranty that comes with the purchase of Shui On Land residential premises. We also provide timely repair of defects during the handover inspection, which resulted in 2011 an exceptional 83% average first-time handover rate for all our developments.

RAISING BRAND AWARENESS

We have made more effort recently to support our brand positioning through marketing activities. The most significant such event in 2011 was the Shui On Land China Golf Challenge, which has helped put our name more strongly into the minds of prospective buyers. Over seven days in seven cities, we hosted some 6,700 clients and associates. The event was picked up widely in the local and international media, bringing our name to an estimated 880 million viewers around the globe.

Our strong commitment to corporate social responsibility also supports our brand, through initiatives such as certification under the Leadership in Energy and Environmental Design (LEED) Green Building Rating Systems programme. The Seagull Club, a Shui On employees volunteer charity organisation, raised RMB300,000 for charity in 2011 and enabled 1,177 of our volunteers to participate in various good causes. To develop our more than 1,200 staff, the Shui On Academy continues to offer training, with close to 50 programmes and sessions held during the year.

THE HONGQIAO PROJECT – SHANGHAI'S NEW HUB

During 2011, we have made good progress in the planning and construction of THE HUB, whose importance in creating future value for the Group cannot be overestimated. We acquired the 62,000 sq.m. site in end 2010 and upon completion in 2014, it will be a unique complex that caters to the future of retail and commerce. THE HUB's shopping mall will be China's first to be directly connected to a comprehensive transportation hub. It will be a one-stop shopping experience that will allow retailers to compete with the internet by offering an enjoyable and stimulating modern lifestyle experience.

Benefitting from being a hub for both Shanghai's second airport and its high speed rail station, upon completion THE HUB will benefit from traffic of over one million passengers every day. The large retail centre, including a Xintiandi-styled village, will offer the latest and most fashionable brands, restaurants and entertainment. There will also be sales offices and an international five-star hotel. For the many companies and individuals seeking efficient travel between Mainland and international destinations, THE HUB will offer unparalleled convenience, comfort and services.

STRATEGIC PARTNERSHIP FOR FUTURE GROWTH

An important development during the past year was the formation of a strategic partnership with Mitsui Fudosan Co. Ltd (Mitsui Fudosan), one of Japan's largest and most prestigious property companies. Mitsui Fudosan has taken an interest in our Dalian and Foshan projects, providing not only capital but expertise in areas such as retail. I am pleased to report that Mitsui Fudosan's Chairman and CEO have both expressed an interest in expanding co-operation with your Group over the long term, which will be mutually beneficial.

ON TARGET FOR ONE MILLION SQ. M. OF CONSTRUCTION COMPLETION

Given the downturn in the Chinese property market that is now underway, the first half of 2012 is likely to remain difficult. The Central Government is rightly determined to avoid an overly speculative market and we welcome policies that support its orderly development as well as to work with the private sector to produce sufficient housing that are affordable.

It is important to note, however, that the market is in better shape than many others around the world. Residential purchasers are not as highly leveraged as those in the advanced economies. Some 30% of the purchasers of our residential developments are cash buyers. Furthermore, figures from the People's Bank of China show that nearly RMB34 trillion sits in household savings accounts at the end of 2011. In addition, although credit is currently tight, the Central Government will likely permit a looser monetary policy once the objective of dampening investment and speculation has been achieved.

For the foreseeable future, a shortage of land in the main cities, combined with continuing high rate of urbanisation, will make property in prime locations such as ours still a favoured investment. We therefore planned to complete one million sq.m. of residential and commercial properties in 2012, as one of the goals in our 2009-2012 Three-Year Plan and to maintain reasonable price levels. It is expected that other elements of our current Three-Year Plan will also largely be met. The likely exception will be that certain projects may not achieve financial self-sufficiency, given the state of the market.

We have not added to our land bank since the Hongqiao acquisition in late 2010 and we remain cautious regarding 2012. We already have one of the best land banks in China, with excellent sites in a number of first and second-tier cities that are proving their worth in the current environment. Our focus in the immediate future will rather be to ensure the timely and efficient execution of the projects we have in hand.

APPRECIATION

Finally, I would like to express my gratitude to my fellow Directors for their wise counsel, and to our staff for their dedication and hard work, all of which has been vital to our success.

There is no doubt that 2012 will be a challenging year for Shui On Land, given the uncertainties in the market. But I believe we will be capable of meeting our targets and creating further value for shareholders.

Vincent H. S. LO
Chairman

Hong Kong, 21 March 2012

CEO REPORT

CONTRACTED SALES INCREASED BY 114% TO RMB10.7 BILLION AND CORE EARNINGS GREW BY 108% TO RMB1,572 MILLION

The year 2011 marked my 25th year with Shui On and my first year as the CEO of Shui On Land. During the year under review, the macro-environment was affected by weaknesses in global financial markets brought about by the European sovereign debt crisis and inflationary pressures in China. At the industry level, we experienced the impact of new austerity measures and policies introduced by the Chinese Government to stabilise the property market. These measures and policies were effected mainly through raising interest rates and banks' required reserve ratio, along with the implementation of home purchase restriction policies.

Despite this challenging backdrop, I am pleased to report that the Group posted stellar results in 2011. The Group exceeded its sales target, achieving a 114% increase in contracted sales to RMB10.7 billion, on a total GFA of 527,500 sq.m. Approximately a total of RMB5.8 billion or a 55% of total contracted sales was generated by property sales, which recorded a 64% increase in average selling prices ("ASP") to RMB28,500 per sq.m. The *en-bloc* sales of commercial property contributed the remaining 45% of total contracted sales.

As of 31 December 2011, the Group's undelivered contracted sales increased to RMB4,877 million, a jump of 51% when compared to RMB3,222 million as of 31 December 2010. In view of the uncertain market environment, the higher locked-in sales will provide greater visibility of the Group's earnings in 2012.

EN-BLOC SALES OF NON-CORE COMMERCIAL DEVELOPMENTS, INCREASED ASSET TURNOVER AND SHORTENED PAYBACK PERIOD OF INVESTMENTS

Approximately a total of RMB4.8 billion of contracted sales was generated through the *en-bloc* sales of offices and the ancillary retail space located at Wuhan Tiandi, Shanghai KIC and Chongqing Tiandi. These include Corporate Centre No. 5, an international grade A office building located at Wuhan Tiandi, which was sold to Ping An Insurance in April, and an office building located at Shanghai KIC C2 site, which was sold to China ICBC Yangpu Branch in November. In addition, various office buildings at Chongqing Tiandi, together with retail and car parking spaces, were sold to several third parties, including certain affiliates of Ping An. The transactions outlined above are reflective of strong demand for well-located, quality commercial properties in China.

THREE-YEAR PLAN PROPELLED EARNINGS GROWTH IN 2011

The Group recorded a 57% increase in GFA completion to 585,000 sq.m. in the year under review, testament to the success of our first Three-Year Plan in expediting our asset and development turnover.

Group turnover for 2011 increased by 74% to RMB8,484 million, due mainly to a 83% rise in property sales to RMB7,581 million and a 20% increase in rental and related income to RMB849 million. Property sales accounted for 89% of Group turnover while rental and other income accounted for the remaining 11%.

“Three-Year Plan propelled earnings growth in 2011.”

Freddy C. K. LEE
Managing Director & CEO

The ASP of recognised sales increased by 25% to RMB24,600 per sq.m. in 2011. Strong ASP growth was achieved against the backdrop of the cooling measures promulgated by the Central Government of China. This ASP attainment further illustrated the pricing power and success of our large-scale, mixed-use, "Total Community" development concept, the geographical advantage of our prime location landbank, as well as the strong branding of our "Tiandi" model.

The Group achieved a 84% increase in gross profit to RMB3,701 million in 2011, while operating profit rose by 103% to RMB3,116 million. Gross profit margin and operating profit margin rose by 3% and 6%, to 44% and 37% respectively.

The margin improvements reflect the Group's efforts to achieve a successful balance among standardisation of the business value chain, master-planning of comprehensive projects, product design, strong property sales and marketing and decentralisation decision-making within project-based management.

The aforementioned results ensured that the Group ended 2011 on a strong note, with profit attributable to shareholders rising by 22% to RMB3,428 million and core earnings rising by 108% to RMB1,572 million.

EFFECTIVE MANAGEMENT THROUGH THE THREE-YEAR PLAN

Our achievements in 2011 are attributable largely to the successful implementation of the Three-Year Plan launched in 2009. The Plan aims to provide accelerated yet sustainable growth and to maintain a balance between cash generation in the short-to-medium term and value creation for the long term.

As part of our Three-Year Plan, we introduced a decentralisation and project-based management system. Through decentralisation, our project teams are empowered to make timely decisions about product development, construction management, pricing, sales, leasing and marketing programs. The strong growth in sales performance and selling prices recorded in the past two years has reaffirmed that this project-based management approach is an efficient and conducive way to cope with the ever-changing operating environment.

As always, we strive for management standardisation to unify best practices, set up standards and operating systems to shorten the development cycle and allow for effective cost control without compromise in product quality. In addition to our centralised procurement of key materials/products for construction works, we have established strategic partnerships with capable and reliable main contractors, electrical and mechanical contractors, and interior fitting-out contractors for our projects, thus enhancing our efficiency, quality and cost benefits. We also engage third-party auditors to conduct regular quality assessments of our projects. This ensures that the highest standards are met and encourages our contractors to deliver quality products through a quality incentive scheme. As a result, approximately 83% of our residential units delivered in 2011 were free of defects.

PRIME INVESTMENT PROPERTY PORTFOLIO, RENTAL INCOME AND ASSET ENHANCEMENT

In 2011, we celebrated the 10th anniversary of our flagship project, "Shanghai Xintiandi", one of the "must-visit" destinations in Shanghai for both domestic and international tourists as well as business travellers. We currently own a GFA of 167,000 sq.m. in completed investment properties located at Shanghai's Xintiandi area. The investment properties include Xintiandi historical restoration and entertainment area, Corporate Avenue Phase 1 office buildings, Xintiandi Style shopping centre, excluding the newly-acquired Shui On Plaza office building and Langham Xintiandi Hotel. In addition, our 156,000 sq.m. Corporate Avenue Phases 2 and 3 (a commercial development comprising office towers and retail shopping centres), is currently under construction and is expected to be completed progressively over 2014 and 2015.

In 2011, total completed investment properties held by the Group increased by 16% to 509,000 sq.m.. Rental and other income generated by the completed investment property portfolio increased by 20% to RMB849 million in 2011. The carrying value of the completed investment property portfolio rose by 16% to RMB17,981 million as of 31 December 2011. The increase was due principally to higher rental income from the completed portfolio and new completion of 72,000 sq.m. in investment property. Of our 11.1 million sq.m. GFA landbank, a total of approximately 1.4 million sq.m. was recorded at valuation with the balance stated at cost.

GREEN AND SUSTAINABLE DEVELOPMENT AND CUSTOMER SERVICES AND SATISFACTION ARE OUR TOP PRIORITIES

As a responsible property developer in China, we are committed to improving the social, economic and environmental well being of every community in our places of operation. In 2009, Wuhan Tiandi received certification from the US Green Building Council, as LEED-Neighbourhood Development Stage 2 Gold Plan, while Chongqing Tiandi and Foshan Lingnan Tiandi were certified in 2011. These developments were designed, constructed and operated by adopting green concepts and strategies such as mass transit-oriented development, adaptive reuse of historical heritage, preservation of native trees, rainwater collection and recycling systems, and outdoor spot cooling and heating systems and others. The commercial areas and office buildings of Wuhan Tiandi, Shanghai Taipingqiao Corporate Avenue Phase 2, Wuhan Tiandi Lot A4, A5 and A123, Chongqing Tiandi Lot B11 and 12, and Shanghai KIC Lot 5 respectively also obtained LEED–CS Gold Certifications/Pre-certifications in 2011.

In order to maintain our product and service quality, we introduced a Customer Satisfaction Index (CSI) in 2009. While adopted initially only for our Shanghai projects, we extended the index to cover all projects in 2010. Our customer research and standards team, together with an independent research company, conduct surveys on a regular basis. Since its inception, the index has recorded improvements every year, achieving 85% and 87% satisfaction levels for our commercial properties and residential properties respectively in 2011.

OUTLOOK

Volatility in global financial markets and concerns over a potential ‘soft landing’ for the Chinese economy continue to signal challenges for the year ahead. Nevertheless, the Group remains committed to maintaining its competitive edge and sustaining growth through our business strategies. We are in the process of preparing our second Three-Year Plan. All of our projects are maturing in accordance with our master plan, achieving high margins. Moving forward, we will continue to leverage our expertise and in-depth market knowledge to pursue viable opportunities for growth, while actively monitoring market developments so as to effectively align our business strategies for the Group’s long-term growth and profitability.

Shui On Land enjoyed an outstanding year in 2011. I would like to take this opportunity to express my deepest appreciation to our staff for their dedication and efforts. I am confident that we will continue to deliver value to our shareholders in the years ahead with the guidance and support of our Chairman and the Members of our Board of Directors.

Freddy C. K. LEE
Managing Director & CEO

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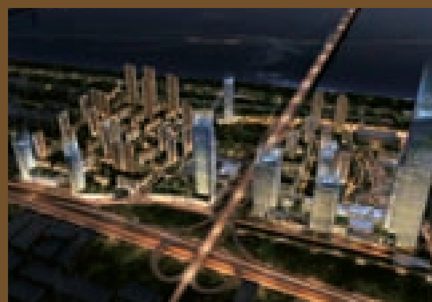
PRIME LANDBANK

We have acquired excellent sites in a number of first and second-tier cities that offer high development potential, and are creating the unique HUB at Hongqiao in Shanghai, positioning us for

going forward



SHANGHAI
THE HUB

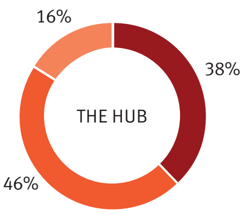
虹桥

Site Location: THE HUB, is located in the Hongqiao Commercial Core Area and is linked directly to the Hongqiao Transportation Hub. The transportation hub consists of the Shanghai High Speed Rail Terminal that connects to all major cities in China, Terminal 2 of the Shanghai Hongqiao International Airport, five Metro lines connecting to Shanghai's old town area, and the future Shanghai Maglev terminal connecting to Pudong International Airport.

Master-plan: The HUB comprises a large retail component, offices and a hotel spanning a total GFA of 277,000 sq.m. The Group acquired this land for RMB3.2 billion through a public land auction in September 2010. The development is positioned as the Central Business District ("CBD") of the Yangtze River Delta, strategically located to suit domestic and international corporations seeking to set up their regional headquarters and offices in Shanghai. The construction works have commenced at the site, with completion planned progressively from 2014.

The following table shows the usage mix of the project as of 31 December 2011:

GFA by Usage

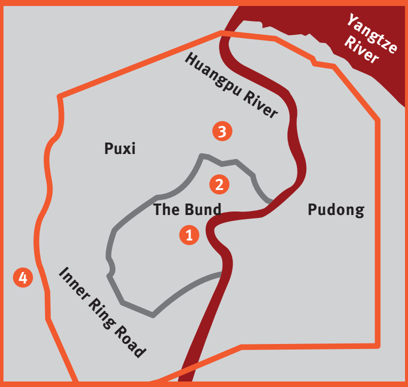


	sq.m.
Office	105,000
Retail	128,000
Hotel/Serviced Apartment	44,000
Total Leasable and Saleable GFA	277,000

SHANGHAI

Shanghai is an economic metropolis of China, the country's leading commercial, financial and port centre. Shanghai is one of the four municipalities of the PRC, with a total population of more than 23 million as of 2011. Since the 1980s, Shanghai has been one of the fastest developing cities in the world. In 2011, total GDP stood at RMB 1.92 trillion with GDP per capita of RMB 82,560 in 2011. Currently, approximately 1,079 financial institutions have a presence in Shanghai, 353 multinational corporations have set up their regional headquarters and 334 research and development centers of overseas companies have been established in the city.

Rendering of THE HUB (southern wing)



1 TAIPINGQIAO
2 RUI HONG XIN CHENG
3 KNOWLEDGE AND INNOVATION COMMUNITY (KIC)
4 THE HUB

GREATER HONGQIAO AREA, SHANGHAI

The Greater Hongqiao Area is one of the four key economic drivers for Shanghai's 12th Five Year Plan (2011-2015). The other three drivers are the EXPO Area, the Greater Pudong Area and the Disneyland Area. The planned site in the Greater Hongqiao Area is three times larger than the Pudong Lujiazui Financial Zone. The aim is to balance the development of western and eastern Shanghai and to ease traffic congestion in the city core. "West Gate" is an alternate and fitting name, referring to the area's role as a gateway for people and companies worldwide to enter China through the Yangtze River Delta via its comprehensive transportation network.

Rendering of THE HUB (northern wing)

The table below shows the development status of THE HUB as of 31 December 2011, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m	Office sq.m	Retail sq.m	Hotel/ serviced apartment sq.m	Subtotal GFA sq.m	Clubhouse, carpark and other facilities sq.m	Total GFA sq.m	Group's interest %
Property under development								
Lot 6 (D17)	–	78,000	18,000	44,000	140,000	42,000	182,000	100.0%
Lot 6 (D19)	–	27,000	110,000	–	137,000	68,000	205,000	100.0%
Total	**–**	**105,000**	**128,000**	**44,000**	**277,000**	**110,000**	**387,000**	

A modern international commercial centre of the Yangtze River Delta and East Asia – THE HUB

SHANGHAI TAIPINGQIAO PROJECT

Site location: The Taipingqiao project is located in the Huangpu District, along with one of Shanghai's main commercial thoroughfares, Huai Hai Middle Road. Leveraging on the city rejuvenation of Shanghai for the World EXPO in 2010, the 110-year-old Huai Hai Middle Road has been transformed into a world-class business and leisure area, now home to the flagship stores of a host of luxury brands. Metro Lines 1, 8 and 10 connect this project to major urban areas of Shanghai. Metro Line 13, which is currently under construction, will also serve the community when completed.

Master-plan: The project is a large-scale city-core redevelopment, with an emphasis on the preservation and restoration of historic buildings and the establishment of an integrated community. It blends the chic architecture of "Old Shanghai" with modern features and amenities. The project consists of four main zones: Shanghai Xintiandi is the historic restoration zone, Corporate Avenue is the corporate headquarters zone, Lakeville Regency and Casa Lakeville is the up-market residential zone, and there is also a retail and theatre zone. The Group has been developing the project in phases since 1996.

Opening in 2001, Shanghai Xintiandi marked its 10th anniversary in 2011. Together with Xintiandi Style and Corporate Avenue, a total GFA of 167,000 sq.m. in this project, are currently held as investment properties in the Group's portfolio. During the first half of 2011, construction works commenced for Corporate Avenue Phase 2 (Lot 126). These works provide for a 73,000 sq.m GFA grade A office tower incorporating a retail podium. Lot 127 offers an additional GFA of 83,000 sq.m. earmarked for office and retail space. The Group has obtained signed relocation agreements from about 94% of the area's residents.

In residential terms, Lakeville, Phases 1 to 3 with a GFA of more than 250,000 sq.m., have been sold and delivered since 2002. The initial ASP was RMB20,000 per sq.m.. The most recent transaction attained an impressive ASP of RMB178,100 per sq.m.. Currently, Stage 1 of Lakeville Phase 4 (Lot 116) is undergoing the second round of relocation consultations. As of the end 2011, 80% of area residents had signed the relocation agreements. The Group owns 50% of the site. Further relocation consultations for the remaining 496,000 sq.m. of GFA for various land lots has yet to commence.

Courtyard of The Manor at Casa Lakeville

HUANGPU DISTRICT, SHANGHAI

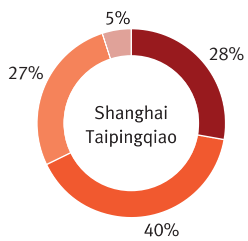
Huangpu District is located in central Shanghai, on the west side of the Huangpu River, facing Pudong Lujiazui Financial District. Approved by the State Council, the existing Huangpu District has been extended since June 2011 to include the old Luwan District.

The Bund, also located in Huangpu District, is famous for its historical buildings overlooking the Huangpu River. Extending from the Bund westward are several major commercial streets, including East Nanjing Road, Fuzhou Road and Huai Hai Road. The 5,500-meter long Huai Hai Road is a well-known shopping area in Shanghai. The People's Square, another landmark of the Huangpu District, is where the Shanghai Municipal Government is located.

Romantic atmosphere at Shanghai Xintiandi

The following tables show the usage mix of the project as of 31 December 2011 and the information of residential ASP:

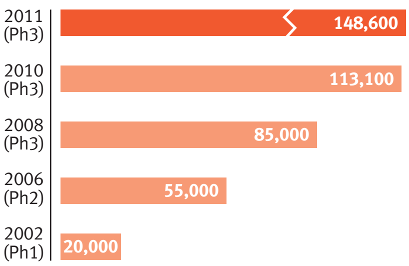
GFA by Usage



	sq.m.
Residential	257,000
Office	360,000
Retail	250,000
Hotel/Serviced Apartment	43,000
Total Leasable and Saleable GFA	910,000

Residential ASP

(RMB/sq.m.)



SHUI ON PLAZA*

Shui On Plaza is located at Huai Hai Middle Road, right next to our Taipingqiao Project. The building is a mixed-use commercial development with 30,000 sq.m. of GFA grade A office space and a retail area of 28,000 sq.m. of GFA. In 2011, Shui On Plaza generated RMB 151 million in rental income, a rise of 5.6% compared to 2010. As of 31 July 2011, market value was RMB3,098 million with occupancy rates of 99% and 100% respectively for the office space and the retail area. Shui On Plaza has a well diversified tenant mix consisting of large, established MNC's and well-known local corporations. Long-term anchor tenants including Pacific Department Store, IBM, PWC, Theron Capital, Shui On Group and SOHO are contributing approximately 65% of total rental income.

LANGHAM XINTIANDI HOTEL*

Langham Xintiandi Hotel adjoins to Shui On Plaza, Xintiandi and Corporate Avenue. The hotel has a total GFA of 34,000 sq.m. accommodating 356 rooms, and about 70% of its floor area has been in operation since October 2010. The Group holds 66.7% ownership of the hotel, which is professionally managed by Langham Hotel International. In addition to the features and amenities of an upscale hotel, guests enjoy sumptuous Shanghainese and Cantonese delicacies at the hotel's signature restaurant Ming Court, or sit back and relax at XTD, an elevated outdoor lounge and terrace that is slated to open in Spring 2012. The hotel also features expansive multi-purpose meeting and event spaces that are adaptable to suit any conference, function or business event.

The retail pavilions of Langham Xintiandi Hotel further enhance the standing of Xintiandi as the "Luxury Street of Shanghai". Internationally-renowned jewelry stores including Harry Winston will open their largest flagship stores during the first half of 2012.

* Acquired by the Group in 2011, with transactions be completed in March 2012

The table below shows the development status of the Shanghai Taipingqiao project as of 31 December 2011, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m	Office sq.m	Retail sq.m	Hotel/ serviced apartment sq.m	Subtotal GFA sq.m	Clubhouse, carpark and other facilities sq.m	Total GFA sq.m	Group's interest %
Completed property								
Xintiandi	–	5,000	47,000	5,000	57,000	12,000	69,000	97.0%
Corporate Avenue	–	76,000	7,000	–	83,000	16,000	99,000	99.0%
The Lakeville and Lakeville Regency	–	–	–	–	–	29,000	29,000	99.0%
Casa Lakeville and Xintiandi Style	1,000	–	27,000	–	28,000	25,000	53,000	99.0%
Subtotal	**1,000**	**81,000**	**81,000**	**5,000**	**168,000**	**82,000**	**250,000**	
Property under development								
Lot 126	–	50,000	23,000	–	73,000	35,000	108,000	99.0%
Lot 127	–	55,000	28,000	–	83,000	43,000	126,000	99.0%
Lot 116	90,000	–	–	–	90,000	–	90,000	50.0%
Subtotal	**90,000**	**105,000**	**51,000**	**–**	**246,000**	**78,000**	**324,000**	
Property for future development								
Subtotal	**166,000**	**174,000**	**118,000**	**38,000**	**496,000**	**44,000**	**540,000**	**99.0%**
Total	**257,000**	**360,000**	**250,000**	**43,000**	**910,000**	**204,000**	**1,114,000**	

Private garden of The Manor at Casa Lakeville

SHANGHAI
RUI HONG XIN CHENG

Master-plan of Rui Hong Xin Cheng

HONGKOU DISTRICT

Hongkou District is situated in downtown Shanghai. It has a long history and deep cultural roots. It is currently being transformed into a modern integrated district with bustling commerce, a livable environment, unique culture and efficient public services. The North Bund area of Hongkou District is the landmark shipping and logistics services development hub for Shanghai, which serves more than 3,000 shipping and logistics companies. Shipping services, knowledge industries, leisure and entertainment services and the real estate industry are the main economic driving forces for the Hongkou District.

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

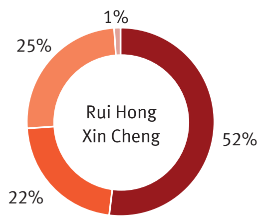
Master-plan: Rui Hong Xin Cheng is a large-scale city-core redevelopment project in Shanghai. According to the Master-plan, the development will become a community served by office buildings, retail podiums, hotels, entertainment, cultural and residential properties. Upon completion it will be a fashionable urban living centre in Northeast Shanghai.

Since 1998, the Group has developed, sold and delivered more than 446,000 sq.m. in GFA of residential units developed in four phases, the latest being completed in 2011. ASP of contracted sales has progressively risen from RMB16,600 per sq.m. in 2007 to RMB39,600 per sq.m. in 2011. On the commercial side, 47,000 sq.m. of GFA have been developed into a retail podium and retained in the Group's investment property portfolio. Construction commenced on Residential Phase 5 (Lot 6) in the first half of 2011 with planned GFA of 116,000 sq.m. and 18,000 sq.m. respectively earmarked for residential use and retail use. The residential apartments are scheduled to be pre-sold in 2012 and beyond.

Lots 2, 3, 9 and 10, encompassing a total planned GFA of 569,000 sq.m., are currently undergoing relocation negotiations. The four sites are to be developed as residential apartments, offices, shopping centres, a hotel and an entertainment area. As of 31 December 2011, 76%, 79%, 80%, and 77% respectively of residents had signed relocation agreements. Further relocation work for the remaining 500,000 sq.m. of GFA for Lots 1, 7, 167A and 167B has yet to commence.

The following tables show the usage mix of the project as of 31 December 2011 and the information of residential ASP:

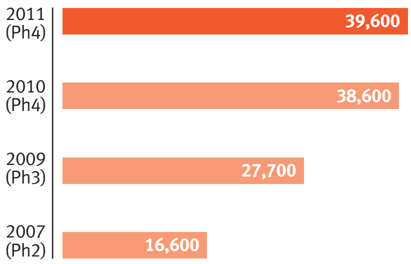
GFA by Usage



	sq.m.
Residential	656,000
Office	272,000
Retail	317,000
Hotel/Serviced Apartment	10,000
Total Leasable and Saleable GFA	1,255,000

Residential ASP

(RMB/sq.m.)



The table below shows the development status of the Shanghai Rui Hong Xin Cheng project as of 31 December 2011, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m	Office sq.m	Retail sq.m	Hotel/ serviced apartment sq.m	Subtotal GFA sq.m	Clubhouse, carpark and other facilities sq.m	Total GFA sq.m	Group's interest %
Completed property								
RHXC Phase 1	–	–	5,000	–	5,000	13,000	18,000	75.0%
RHXC Phase 2	–	–	28,000	–	28,000	21,000	49,000	74.3%
RHXC Phase 3 Lot 8	–	–	2,000	–	2,000	3,000	5,000	74.3%
RHXC Phase 4 Lot 4	5,000	–	12,000	–	17,000	32,000	49,000	74.3%
Subtotal	**5,000**	**–**	**47,000**	**–**	**52,000**	**69,000**	**121,000**	
Property under development								
RHXC Phase 5 Lot 6	116,000	–	18,000	–	134,000	52,000	186,000	74.3%[1]
Subtotal	**116,000**	**–**	**18,000**	**–**	**134,000**	**52,000**	**186,000**	
Property for future development								
Subtotal	**535,000**	**272,000**	**252,000**	**10,000**	**1,069,000**	**12,000**	**1,081,000**	**74.3%[2]**
Total	**656,000**	**272,000**	**317,000**	**10,000**	**1,255,000**	**133,000**	**1,388,000**	

1. The Group has a 99.0% effective interest in the non-retail portion.
2. The Group has a 75.0% interest in Lot 167A and Lot 167B and 74.3% interest in the remaining Lots.

SHANGHAI
KNOWLEDGE AND INNOVATION COMMUNITY

KIC Plaza Phase 2

YANGPU DISTRICT, SHANGHAI

Yangpu District is closed to Hongkou District. The heart of the district, the Wujiaochang – KIC – Jiangwanxincheng area, is designated by the Shanghai municipal government as one of the city's four urban sub-centres. Yangpu District has been transformed into a knowledge industry and support services hub to complement one of Shanghai's development goals: becoming the value-added service centre of China. The district is also home to more than 10 universities and colleges, including Fudan University, Tongji University and Shanghai University of Finance and Economics; and 22 key state laboratories and 65 scientific research institutes, giving the district an unparalleled competitive advantage in becoming the intellectual hub of Shanghai.

创智天地 KNOWLEDGE & INNOVATION COMMUNITY

创智坊 KIC VILLAGE

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

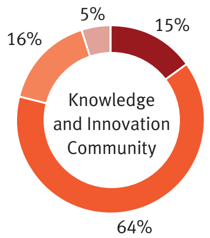
Master-plan: The project is designed to be a multi-functional community with a lifestyle characterised by health and sustainability. Through the project, the Group is facilitating the transformation of the Yangpu District from an industrial and manufacturing area to a knowledge and innovation centre. Project plans draw on readily available educational and human resources in the vicinity to create an environment that fosters innovation, commercialisation, technology development, cultural activities, research and business incubation, growth and development.

Since 2003, more than 184,000 sq.m. of GFA have been progressively developed as office buildings in this project. The occupancy rate remains high, with reputable technology companies, including EMC, EBAO and IBM as tenants. In 2011, three more office buildings with retail podiums were completed on Lot C2 offering a GFA of 56,000 sq.m.. A portion of the office, retail and car park spaces was sold to the Yangpu Branch of the Industrial and Commercial Bank of China ("ICBC") in the second half of 2011.

For property sales, 133,000 sq.m. of GFA have been sold and delivered. ASP of contracted sales has risen from RMB 18,700 per sq.m. in 2007 to RMB 25,100 per sq.m. in 2010. Construction of residential units of 49,000 sq.m. in GFA at Lot 311 scheduled to be launched in the second half of 2012, commenced in 2011. Construction is also underway at Lot 311 on office towers occupying GFA 93,000 sq.m. in GFA and a hotel development on an area of 18,000 sq.m. in GFA.

The following tables show the usage mix of the project as of 31 December 2011 and the information of properties ASP:

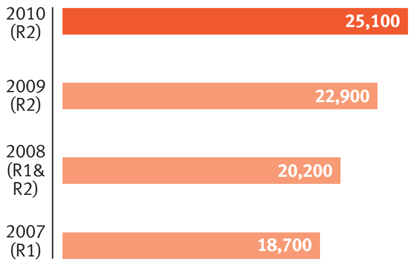
GFA by Usage



	sq.m.
Residential	49,000
Office	218,000
Retail	54,000
Hotel/Serviced Apartment	18,000
Total Leasable and Saleable GFA	339,000

Properties ASP

(RMB/sq.m.)



The table below shows the development status of the Shanghai Knowledge and Innovation Community project as of 31 December 2011, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m	Office sq.m	Retail sq.m	Hotel/ serviced apartment sq.m	Subtotal GFA sq.m	Clubhouse, carpark and other facilities sq.m	Total GFA sq.m	Group's interest %
Completed property								
KIC Village R1	–	7,000	7,000	–	14,000	12,000	26,000	86.8%
KIC Village R2 (Lots 7-9, 8-2)	–	9,000	3,000	–	12,000	8,000	20,000	86.8%
KIC Village R2 (Lot 7-7)	–	6,000	1,000	–	7,000	18,000	25,000	86.8%
KIC Plaza Phase 1	–	29,000	21,000	–	50,000	25,000	75,000	86.8%
KIC Plaza Phase 2	–	39,000	10,000	–	49,000	30,000	79,000	86.8%
KIC C2 (Lots 5-7, 5-8)	–	30,000	12,000	–	42,000	12,000	54,000	86.8%
Subtotal	**–**	**120,000**	**54,000**	**–**	**174,000**	**105,000**	**279,000**	
Property under development								
Lot 311 Phase 1	49,000	–	–	–	49,000	25,000	74,000	99.0%
Lot 311 Phase 2	–	93,000	–	18,000	111,000	–	111,000	99.0%
Lot 12-8	–	5,000	–	–	5,000	–	5,000	86.8%
Subtotal	**49,000**	**98,000**	**–**	**18,000**	**165,000**	**25,000**	**190,000**	
Total	**49,000**	**218,000**	**54,000**	**18,000**	**339,000**	**130,000**	**469,000**	

WUHAN

WUHAN TIANDI

Site location: The Wuhan Tiandi project is situated in the city centre of Hankou District. It has a prime location on the Yangtze River waterfront, with an unparalleled view of the Yangtze River and scenic Jiangtan Park. In December 2008, the municipal government formally approved the planning of a "Riverside Business Zone", which includes the Wuhan Tiandi project. The Riverside Business Zone is designed to be one of the city's financial and business centres, as well as an innovation hub and a cultural destination.

Master plan: Wuhan Tiandi is a large-scale mixed-use redevelopment comprising two major sites. Site A includes office towers, retail, food and beverage, and entertainment facilities, together with some residential blocks. Site B is mainly composed of residential and office buildings, together with a retail centre. The total site area is 61 hectares. Upon completion, the total GFA will be 1.6 million sq.m.. Through preserving local historical architecture while injecting new commercial value, the project has become a landmark in Wuhan. The retail and food and beverage portion has been open since 2007 with total GFA of 46,000 sq.m. and is included in the Group's investment property portfolio.

Residential developments in Wuhan Tiandi have been well received by the market. A total of 201,000 sq.m. of GFA has been sold and delivered. ASP of contracted sales was RMB13,400 per sq.m. in 2008 and reached RMB 32,000 per sq.m. in 2011. Construction of The Riverview Phase 3 (Lots A11 and A12 of Site A) was completed and released to customers in 2011. In addition, the Group disposed of an office building, Corporate Centre No. 5 (Lot A5 of Site A) for a total consideration of RMB963 million. The completed building has been handed over to Ping An Life Insurance Company of China, Ltd., the buyer.

Wuhan Tiandi at the riverside

WUHAN

Situated at the junction of the Yangtze and Han rivers, Wuhan is the capital city of Hubei Province. Major cities in China are located within an 800 km radius of Wuhan. Wuhan has developed into a major commercial and manufacturing centre, especially for the automobile, commodities and hi-tech industries. The city's East Lake High-tech Development Zone was approved as the second National Innovation Model Park after Zhongguancun in Beijing. In line with the national policy to develop central China, the Central Government approved Wuhan City Circle as one of China's Experimental Zones, alongside Shanghai Pudong, Tianjin New Zone, Chengdu and Chongqing.

The Government's goal is to build a "resource-saving and environment-friendly society" in Wuhan. The city has been designated as the most important transportation hub and logistics centre in central China, and is also one of four railway hubs in the country. By the end of 2012 the railway network will bring Guangzhou, Shanghai, Beijing and Chengdu within five hours' travel time of Wuhan. Furthermore, Wuhan will be one of six important aviation hubs in China. The city is building a second airport in the East Lake High-tech Development Zone under the Twelfth Five-year Plan. Wuhan had a permanent population of 10 million in 2011 and serves as a regional centre for a hinterland of more than 30 million people.

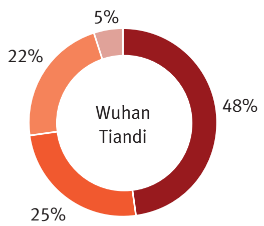
1 WUHAN TIANDI

Benz SLS AMG Sports Car Tour Show in Square of Wuhan Xin Tiandi Phase 3

Wuhan Tiandi Site B has been under development since 2011. According to the Master-plan, a total of 544,000 sq.m. of GFA or 81% of the site is planned for development as residential units. The remaining parcel of 129,000 sq.m. of GFA is earmarked for development as retail and office space. Currently, construction of Regal Riverview Phase 1 (Lots B9 and B11 of Site B) is underway while Lot B9 was launched for pre-sale on 31 December 2011. All the units are scheduled to be delivered in 2012 and 2013.

The following tables show the usage mix of the project as of 31 December 2011 and the information of properties ASP:

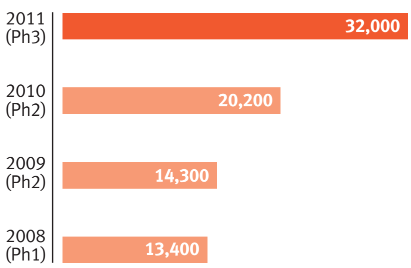
GFA by Usage



	sq.m.
Residential	549,000
Office	287,000
Retail	250,000
Hotel/Serviced Apartment	50,000
Total Leasable and Saleable GFA	1,136,000

Properties ASP

(RMB/sq.m.)



The table below shows the development status of the Wuhan Tiandi project as of 31 December 2011, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m	Office sq.m	Retail sq.m	Hotel/ serviced apartment sq.m	Subtotal GFA sq.m	Clubhouse, carpark and other facilities sq.m	Total GFA sq.m	Group's interest %
Completed property								
Wuhan Tiandi (Lots A4-1/2/3)	–	–	46,000	–	46,000	25,000	71,000	75.0%
The Riverview (Lots A6, A7)	1,000	–	–	–	1,000	2,000	3,000	75.0%
The Riverview Phase 3 (Lots A11/A12)	4,000	–	–	–	4,000	18,000	22,000	75.0%
Lot A5	–	–	–	–	–	24,000	24,000	75.0%
Subtotal	**5,000**	**–**	**46,000**	**–**	**51,000**	**69,000**	**120,000**	
Property under development								
Residential Phase 4 (Lot B9)	66,000	–	1,000	–	67,000	18,000	85,000	75.0%
Residential Phase 4 (Lot B11)	54,000	–	1,000	–	55,000	13,000	68,000	75.0%
Lots A1/A2/A3–Retail Podium	–	–	110,000	–	110,000	–	110,000	75.0%
Subtotal	**120,000**	**–**	**112,000**	**–**	**232,000**	**31,000**	**263,000**	
Property for future development								
Subtotal	**424,000**	**287,000**	**92,000**	**50,000**	**853,000**	**4,000**	**857,000**	**75.0%**
Total	**549,000**	**287,000**	**250,000**	**50,000**	**1,136,000**	**104,000**	**1,240,000**	

Night view of Wuhan Tiandi

CHONGQING

CHONGQING TIANDI

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

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

Chongqing Tiandi is the biggest projects among all in terms of area with a total GFA of 3.6 million sq.m. upon completion.

Since 2004, residential, office, retail as well as different amenities such as the man-made lake have been completed. Phase 1 and Towers 1 to 12 of Phase 2 of the Riviera residential development have been delivered to purchasers. The remaining towers of Phase 2 are scheduled to be launched for pre-sale and delivery in 2012. The Riviera Phases 3, 4 and 5 in Lots B19, B20-5 and B18 with a leasable and saleable GFA of 396,000 sq.m. are now under construction, and scheduled to be launched for pre-sale in 2012 and 2013. ASP of contracted sales of the sold residential units has risen from RMB 7,100 per sq.m. in 2008 to 13,700 sq.m. in 2011.

The club house of The Riviera IV at Chongqing Tiandi

CHONGQING

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

A series of infrastructure projects connecting the western region to Chongqing, and Chongqing to the rest of China, have enabled Chongqing to play a dominant role as the catalyst for growth in western China. In 2011, Chongqing completed the construction of China's first bonded port for international trade thereby claiming its position as one of China's leading river ports. The Chongqing-Shanghai Expressway linking Chongqing, Chengdu, Wuhan, Nanjing and Shanghai has been completed and is open to traffic. In addition, ten new expressways and seven proposed light railway lines are targeted for completion by 2015.

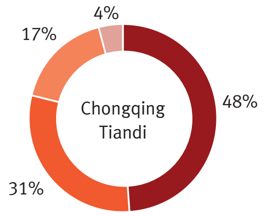
In 2011, Chongqing had a GDP of RMB790 billion and FDI of US$6.4 billion, the latter representing approximately 6.1% of total national FDI. Chongqing is one of the world's largest cities, with a population of 28.6 million at the end of 2011. Combined with its neighbouring five provinces, Chongqing covers a regional market with a population in its hinterland of about 300 million.

1 CHONGQING TIANDI

In the commercial sector, various office buildings together with retail shopping centres occupying a total GFA of 1,042,000 sq.m. at Lots B11, B12 and B13, are under construction. Out of the total area, 754,000 sq.m. of GFA is designated as office space, 263,000 sq.m. of GFA is planned to be a retail shopping centre and the remaining 25,000 sq.m. is for hotel use. In December 2011, the Group entered into multiple transactions to sell various office buildings with a total GFA of 233,200 sq.m for a total consideration of RMB3,232 million. These office buildings are planned for completion and delivery in 2012 and 2013.

The following tables show the usage mix of the project as of 31 December 2011 and the information of residential ASP:

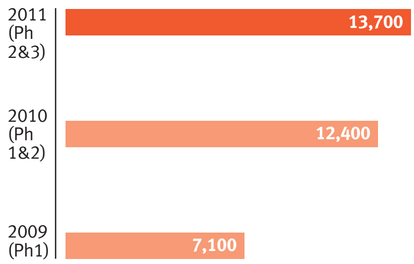
GFA by Usage



	sq.m.
Residential	1,231,000
Office	779,000
Retail	424,000
Hotel/Serviced Apartment	103,000
Total Leasable and Saleable GFA	2,537,000

Residential ASP*

(RMB/sq.m.)



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

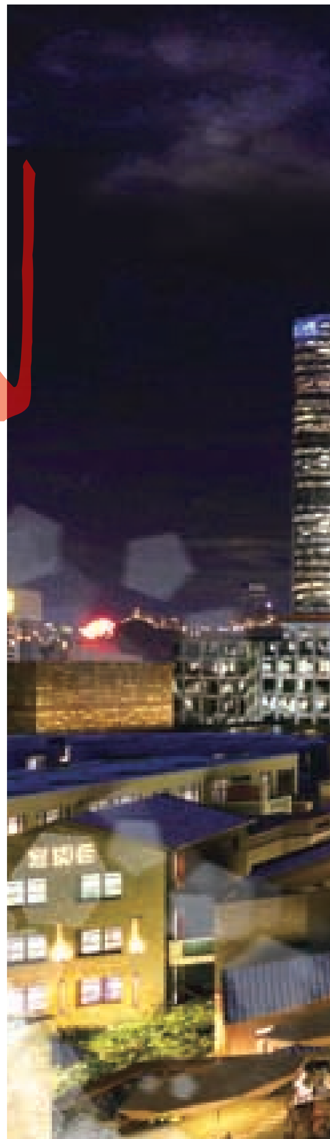
Overlook of The Riviera IV at Chongqing Tiandi

The table below shows the development status of the Chongqing Tiandi project as of 31 December 2011, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m	Office sq.m	Retail sq.m	Hotel/ serviced apartment sq.m	Subtotal GFA sq.m	Clubhouse, carpark and other facilities sq.m	Total GFA sq.m	Group's interest %
Completed property								
The Riviera Phase 1 (Lot B1-1/01)	3,000	–	2,000	–	5,000	14,000	19,000	79.4%
The Riviera Phase 2 Stage 1 (Lot B2-1/01)	2,000	–	2,000	–	4,000	12,000	16,000	79.4%
The Riviera Phase 2 Stage 2 (Lot B2-1/01)	18,000	–	–	–	18,000	39,000	57,000	79.4%
Chongqing Tiandi (Lot B3/01)	–	–	49,000	–	49,000	25,000	74,000	79.4%
Subtotal	**23,000**	**–**	**53,000**	**–**	**76,000**	**90,000**	**166,000**	
Property under development								
The Riviera Phase 2 Remaining (Lot B2-1/01)	43,000	–	6,000	–	49,000	9,000	58,000	79.4%
Residential Phase 3 (Lot B19/01)	117,000	–	6,000	–	123,000	34,000	157,000	79.4%
Residential Phase 4 (Lot B20-5/01)	88,000	–	–	–	88,000	27,000	115,000	79.4%
Residential Phase 5 (Lot B18/02)	180,000	–	5,000	–	185,000	45,000	230,000	79.4%
Super High Rise (Lot B11-1/02)	–	376,000	114,000	25,000	515,000	173,000	688,000	59.5%
Lot B12-1/02	–	97,000	2,000	–	99,000	34,000	133,000	79.4%
Lot B12-3/02	–	68,000	35,000	–	103,000	39,000	142,000	79.4%
Lot B12-4/02	–	61,000	29,000	–	90,000	31,000	121,000	79.4%
Lot B13/03	–	152,000	83,000	–	235,000	57,000	292,000	79.4%
Subtotal	**428,000**	**754,000**	**280,000**	**25,000**	**1,487,000**	**449,000**	**1,936,000**	
Property for future development								
Subtotal	**780,000**	**25,000**	**91,000**	**78,000**	**974,000**	**218,000**	**1,192,000**	**79.4%**
Total	**1,231,000**	**779,000**	**424,000**	**103,000**	**2,537,000**	**757,000**	**3,294,000**	

FOSHAN

FOSHAN LINGNAN TIANDI



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

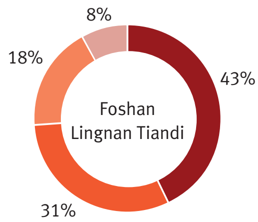
Master-plan: The project is a large-scale urban redevelopment project comprising office, retail, hotel and cultural facilities and residential complexes in an integrated community. The centre-piece of Foshan's cultural heritage is Zumiao, an immaculately-preserved, 900-year-old Taoist temple. This and another well-known historic area, the Donghuali, are both located within the project. The Foshan municipal government's plan is to upgrade the area into a business and commercial zone, focusing on business, culture, and tourism.

Residential sales have achieved excellent results since the first launch in 2010 of the Foshan Lingnan Tiandi project. The ASP of contracted sales for low-rise apartments reached 19,500 per sq.m. while ASP for townhouses reached 39,900 per sq.m. in 2011. Low-rise apartments at The Regency Phase 1 in Lot 4 and the townhouses at The Legendary Phase 1 in Lot 14 were delivered to buyers starting in 2011. Currently, Phase 2 of the Regency in Lot 5 and Phase 2 of the Legendary in Lot 15 are under construction and scheduled for pre-sale in 2012. Further GFA of 184,000 sq.m.for residential developments located at Lots 6, 16, 18 and E are also under construction and scheduled for pre-sale starting from 2013.

The first stage of Foshan Lingnan Tiandi in Lot 1 with a GFA of 16,000 sq.m. was completed and opened in 2011. A total GFA of 103,000 sq.m. of retail space located at Lot G, Lot 1-2, Lot 1-3, Lot 18 and Lot E is currently under development. Completion is planned for 2013 and 2015. In addition, construction works for the Macro Polo Hotel at Lot D have been largely completed and the soft opening commenced on 21 December 2011.

The following tables show the usage mix of the project as of 31 December 2011 and the information of residential ASP:

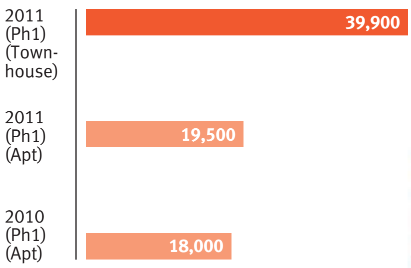
GFA by Usage



	sq.m.
Residential	633,000
Office	450,000
Retail	261,000
Hotel/Serviced Apartment	125,000
Total Leasable and Saleable GFA	1,469,000

Residential ASP

(RMB/sq.m.)



Night view of Foshan Lingnan Tiandi

FOSHAN

Foshan is a thriving city within the Pearl River Delta, possessing economic dynamism along with a rich historical and cultural heritage. Foshan is advantageously located within the Pearl River Delta Economic Zone, and lies 28 km southwest of the city centre of Guangzhou. The city has the third largest economy in the Pearl River Delta, after Guangzhou and Shenzhen. Foshan has a strong manufacturing base and has assumed a leading national position in a number of industries, including ceramics, home appliances, electronics, furniture, aluminum and stainless steel. Foshan has extensive transportation infrastructure plans that will dramatically enhance its accessibility to the downtown area of Guangzhou and enable the city to become part of the greater Guangzhou area. The Guangzhou-Foshan Metro Line commenced operations in 2010 and has reduced the travelling time between the city centres of the two cities to 45 minutes. The Hong Kong-Guangzhou Intercity Express Train is expected to begin operations in 2015-2016, providing a seamless connection of about an hour's travel time between Hong Kong and Foshan.

1 FOSHAN LINGNAN TIANDI

Foshan Lingnan Tiandi blends traditional culture and modern life

The table below shows the development status of the Foshan Lingnan Tiandi project as of 31 December 2011, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m	Office sq.m	Retail sq.m	Hotel/ serviced apartment sq.m	Subtotal GFA sq.m	Clubhouse, carpark and other facilities sq.m	Total GFA sq.m	Group's interest %
Completed property								
The Regency Phase 1 (Lot 4)	1,000	–	–	–	1,000	18,000	19,000	100.0%
The Legendary Phase 1 (Lot 14)	3,000	–	–	–	3,000	11,000	14,000	100.0%
Lingnan Tiandi Stage 1 (Lot 1-1)	–	–	16,000	–	16,000	1,000	17,000	100.0%
Subtotal	**4,000**	**–**	**16,000**	**–**	**20,000**	**30,000**	**50,000**	
Property under development								
Residential Phase 2 (Lot 5)	49,000	–	1,000	–	50,000	20,000	70,000	100.0%
Residential Phase 2 (Lot 15)	17,000	–	1,000	–	18,000	15,000	33,000	100.0%
Lingnan Tiandi Stage 2 (Lot 1-2)	–	–	26,000	8,000	34,000	3,000	37,000	100.0%
Lingnan Tiandi Stage 2 (Lot 1-3)	–	–	5,000	–	5,000	–	5,000	100.0%
Lot D+G	–	–	17,000	37,000	54,000	25,000	79,000	100.0%
Lot 13b	–	–	–	–	–	5,000	5,000	100.0%
Lot 6	46,000	–	–	–	46,000	13,000	59,000	100.0%
Lot 16	16,000	–	–	–	16,000	9,000	25,000	100.0%
Lot 18	104,000	–	12,000	–	116,000	34,000	150,000	100.0%
Lots E1, E2, Eos	18,000	–	58,000	–	76,000	53,000	129,000	100.0%
Subtotal	**250,000**	**–**	**120,000**	**45,000**	**415,000**	**177,000**	**592,000**	
Property for future development								
Subtotal	**379,000**	**450,000**	**125,000**	**80,000**	**1,034,000**	**28,000**	**1,062,000**	**100.0%**
Total	**633,000**	**450,000**	**261,000**	**125,000**	**1,469,000**	**235,000**	**1,704,000**	

Foshan Lingnan Tiandi to build new landmark for Southern China

DALIAN

DALIAN TIANDI

大連

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

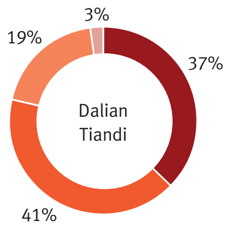
Master plan: The Dalian Tiandi project offers a green, highly modern, trendsetting lifestyle to attract green-living enthusiasts and knowledge workers. Situated at the midpoint of South Lvshun Road Software Industry Belt, Dalian Tiandi extends across a 12.5 km range. It features a total GFA of 3.4 million sq.m. upon completion, and is envisioned as a superb new urban centre.

Launched in 2007, the project is set to achieve build-out in 2020, a time when the community's living and working population is estimated to reach 300,000. To date, a total of 155,000 sq.m. of GFA has been developed into office spaces, with tenants including famous technology companies such as IBM, Ambow, and Chinasoft.

In terms of its residential profile, town houses and residential apartments have been launched since 2010 with ASP in 2011 of RMB 23,200 per sq.m. and RMB11,500 per sq.m. respectively. A total GFA of 1,108,000 sq.m. is currently under development, planned for use as software office buildings, an IT Tiandi commercial complex, hotel and residential apartments.

The following tables show the usage mix of the project as of 31 December 2011 and the information of residential ASP:

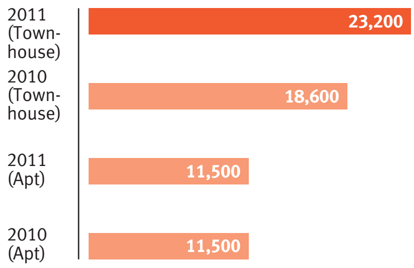
GFA by Usage



	sq.m.
Residential	1,165,000
Office	1,319,000
Retail	605,000
Hotel/Serviced Apartment	82,000
Total Leasable and Saleable GFA	3,171,000

Residential ASP

(RMB/sq.m.)



大连天地
DALIAN TIANDI

Hekou Bay Plate of Dalian Tiandi

DALIAN

Dalian is located at the southern tip of the Eastern Liaoning Peninsula and serves as a gateway to Beijing, Tianjin and the Bohai Bay Economic Rim. It is an important communication hub in northern China and a major transportation centre for northeast Asia, due to its strategic geographical location. The city has a proven track record in developing information technology outsourcing and in the business process outsourcing industries.

Backed by the Central Government, Dalian is steadily migrating towards a high value-added IT industry development model. Dalian recorded annual GDP growth of 14% in 2011 and is a leading city in terms of property investment and living standards in Liaoning Province. The city realised a 10% growth of FDI in 2011 and has undergone a comprehensive upgrading of infrastructure and an increase in public spending, thereby acquiring the status of an international city.

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

The table below shows the development status of the Dalian Tiandi project as of 31 December 2011, which is subject to variation according to future development plans:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m	Office sq.m	Retail sq.m	Hotel/ serviced apartment sq.m	Subtotal GFA sq.m	Clubhouse, carpark and other facilities sq.m	Total GFA sq.m	Group's interest %
Completed property								
Lot D22 – Software Office	–	42,000	–	–	42,000	15,000	57,000	48.0%
Lot E06	27,000	–	–	–	27,000	–	27,000	48.0%
Lot B02 – Ambow training school	–	113,000	–	–	113,000	4,000	117,000	48.0%
Subtotal	**27,000**	**155,000**	**–**	**–**	**182,000**	**19,000**	**201,000**	
Property under development								
Huangnichuan North								
Lots E06/E29	58,000	–	–	–	58,000	64,000	122,000	48.0%
Lot D14	–	88,000	–	–	88,000	26,000	114,000	48.0%
Lot C10	40,000	–	–	–	40,000	8,000	48,000	48.0%
Lot D10	–	–	41,000	33,000	74,000	22,000	96,000	48.0%
Lot C14	33,000	–	–	–	33,000	23,000	56,000	48.0%
other lots	282,000	16,000	–	–	298,000	10,000	308,000	48.0%
Hekou Bay								
Lots B09/B13/C01	93,000	–	–	–	93,000	45,000	138,000	48.0%
other lots	63,000	159,000	202,000	–	424,000	22,000	446,000	48.0%
Subtotal	**569,000**	**263,000**	**243,000**	**33,000**	**1,108,000**	**220,000**	**1,328,000**	
Property for future development[1]								
Subtotal	**569,000**	**901,000**	**362,000**	**49,000**	**1,881,000**	**2,000.00**	**1,883,000**	**48.0%**
Total	**1,165,000**	**1,319,000**	**605,000**	**82,000**	**3,171,000**	**241,000**	**3,412,000**	

1 Dalian Tiandi has a landbank of 3.4 million sq.m. in GFA. As of 31 December 2011, approximately 3.1 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course.


Huang Ni Chuan Plate of Dalian Tiandi

HUMAN CAPITAL

A smooth transition to a new CEO, the strategy to streamline the management structure and linking remuneration to performance is set to increase our

intellectual capital


瑞安房地產
SHUI ON LAND

BUSINESS REVIEW

EXECUTIVE SUMMARY

For 2011, the Group attained a new record level in turnover, with significant growth of 74% to RMB8,484 million, compared to RMB4,879 million in 2010. Property sales which accounted for 89% of turnover, rose by 83% to RMB7,581 million. Rental and related income increased by 20% to RMB849 million.

In addition to RMB7,581 million in property sales recorded as turnover, the Group disposed of 16,700 sq.m. in GFA in KIC, recognised as disposal of investment property for a total consideration of RMB613 million. Property sales by Dalian Tiandi totalled RMB332 million, and the related profit was recorded as share of results of associates.

Property sales of the Group's projects in Chongqing, Wuhan, Foshan and Dalian achieved new heights of success, increasing by 172% to RMB4,825 million, well over the RMB1,773 million recorded in 2010.

Recognised ASP grew by 25% to RMB24,600 per sq.m. compared to RMB19,700 per sq.m. in 2010. The ASP across all projects increased by a range of 31% to 52% (31% for Chongqing Tiandi, 42% for Shanghai RHXC, 42% for Wuhan Tiandi, 48% for Shanghai KIC and 52% for Shanghai Taipingqiao) despite the backdrop of tightening economic policies introduced by the China Central Government. This result reflected the pricing power of "Total Community", the Group's large-scale, mixed-use development concept. It also showed the advantages of our prime location landbank and the strong brand loyalty the "Tiandi Model" enjoys.

Contracted sales increased by 114% to RMB10,667 million for a total GFA of 527,500 sq.m.. Property sales, which saw a 64% increase in ASP to RMB28,500 per sq.m., made up 55% of total contracted sales. The remaining 45% came from the en-bloc sales of four commercial properties with ASP recorded at RMB15,600 per sq.m..

Gross profit margin grew by 3% to 44% in 2011. Operating profit increased by 103% to RMB3,116 million with operating profit margin rising 6% higher to 37%.

In 2011, the total completed investment property portfolio held by the Group increased by 16% or 72,000 sq.m. to 509,000 sq.m.. Together with the newly completed 113,000 sq.m. in office buildings, a total of 155,000 sq.m. of investment property located at Dalian Tiandi was held by associates of the Group.

The newly completed investment property included two office buildings at the Shanghai KIC Plaza C2 site, the retail area located at Shanghai RHXC, the retail area at Chongqing Tiandi, the office buildings located at Dalian Tiandi and the retail area at Foshan Lingnan Tiandi. The majority of these buildings were completed in late 2011. It is expected that rental income will further increase in the coming year.

The Group recorded a fair value gain of RMB2,696 million in its investment property portfolio. Carrying value of the completed investment property grew by 16% to RMB17,981 million due to the increase in rental income generated from the completed investment properties and new completions as mentioned above.

Profit attributable to shareholders increased by 22% to RMB3,428 million in 2011, as a result of the aforementioned developments.

Core earnings generated by property sales, rentals and other related income increased by 108% to RMB1,572 million in 2011 from RMB756 million in 2010.

As of 31 December 2011, the Group's landbank, including Dalian associates, stood at 13.0 million sq.m.. The landbank was distributed among nine development projects located in prime areas spanning six cities, namely: Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian.

PROPERTY SALES

Recognised Property Sales

For 2011, the Group achieved a record RMB7,581 million in property sales, based on a total GFA of 329,400 sq.m., a significant increase of 83% compared to RMB4,133 million in 2010. Dalian Tiandi property sales reached RMB332 million, and its related profit was recorded as share of results of associates; an additional RMB613 million in property sales in Shanghai KIC was recognized as disposal of investment property.

The table below summarises by projects the recognised sales (stated after the deduction of business tax) for the years 2011 and 2010:

Project	2011 Sales revenue RMB' million	2011 GFA sold sq.m.	2011 ASP RMB per sq.m.	2010 Sales revenue RMB' million	2010 GFA sold sq.m.	2010 ASP RMB per sq.m.	ASP Growth Rate %
Shanghai Taipingqiao	**827**	**5,900**	**148,600**	604	6,500	97,800	**52%**
Shanghai RHXC	**2,133**	**57,700**	**39,200**	824	31,300	27,700	**42%**
Shanghai Knowledge and Innovation Community ("KIC")	**575**	**16,700**	**36,500**	918	39,200	24,700	**48%**
Wuhan Tiandi	**2,349**	**107,900**	**23,100**	1,324	85,300	16,300	**42%**
Chongqing Tiandi[1]	**1,083**	**107,300**	**13,400**	449	57,700	10,200	**31%**
Foshan Lingnan Tiandi	**1,061**	**50,600**	**22,200**	–	–	–	
Subtotal	**8,028**	**346,100**	**24,600**	4,119	220,000	19,700	
Carparks and others	**166**	**–**		199	–		
Dalian Tiandi	**332**	**18,700**	**18,800**	–	–	–	
Total	**8,526**	**364,800**		4,318	220,000		
Recognised as:							
– property sales in turnover of the Group[2]	**7,581**	**329,400**		4,133	212,300		
– disposals of investment property[2]	**613**	**16,700**		185	7,700		
– turnover of associates	**332**	**18,700**		–	–		
Total	**8,526**	**364,800**		4,318	220,000		

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

2 Sales of commercial properties are recognized as "turnover" if the properties concerned are designated for sale prior to the commencement of development. Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposals of investment properties".

"Sustainable development is one of the major objectives of all SOL projects. The idea of sustainability is to ensure that our actions and decisions today do not inhibit the opportunities of future generations. For CQTD project, we target to obtain LEED gold certification for our major commercial developments. The roof garden, green wall, gray water recycling and natural ventilation system have been widely implemented in all of our projects."

Tang Ka Wah
Executive Director – Chongqing Tiandi

Phase 3 of The Riverview at Wuhan Tiandi

Contracted Sales

For 2011, contracted sales achieved significant growth of 114% to RMB10.7 billion, on a total GFA of 527,500 sq.m.. Property sales constituted 55% of the total contracted sales, while the remaining 45% was generated from *en-bloc* sales of commercial property.

Chongqing Tiandi and Wuhan Tiandi have been contributing contracted sales to the Group since 2007, while sales of Foshan Lingnan Tiandi and Dalian Tiandi were launched for the first time in 2010. Contracted sales of these projects increased by 145% to RMB7,618 million in 2011, as compared to RMB3,109 million in 2010. Both GFA and ASP rose by 100% and 22% respectively in 2011. Going forward, these projects are expected to provide higher contributions to the Group's property sales. Contracted sales have also become more diversified and have been expanding from Shanghai to four other cities, namely Wuhan, Chongqing, Foshan and Dalian.

The table below provides an analysis by projects of contracted sales (stated before the deduction of business tax) in 2011 and 2010:

	2011			2010			
Project	Contracted amount RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	Contracted amount RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	ASP Growth rate %
Property sales:							
Shanghai Taipingqiao	**877**	**5,900**	**148,600**	407	3,600	113,100	**31%**
Shanghai Rui Hong Xin Cheng	**1,434**	**36,200**	**39,600**	1,035	26,800	38,600	**3%**
Shanghai KIC[1]	**50**	**2,300**	**21,700**	203	8,100	25,100	**-14%**
Wuhan Tiandi	**1,618**	**50,500**	**32,000**	612	30,300	20,200	**58%**
Chongqing Tiandi[2]	**903**	**79,900**	**13,700**	1,426	143,600	12,400	**10%**
Foshan Lingnan Tiandi	**479**	**13,200**	**36,300**	701	38,900	18,000	**102%**
Subtotal	**5,361**	**188,000**	**28,500**	4,384	251,300	17,400	**64%**
En-bloc sales:							
Wuhan Tiandi – A5	**963**	**58,800**	**16,400**	–	–	–	
Shanghai KIC – C2 Lot 5-5	**600**	**14,400**	**41,700**	–	–	–	
Chongqing Tiandi – B12-1, B12-3 & B12-4	**3,232**	**233,200**	**13,900**	–	–	–	
Subtotal	**4,795**	**306,400**	**15,600**	–	–	–	
Dalian Tiandi[3]	**423**	**33,100**	**12,800**	370	21,000	17,600	**-27%**
Carparks and others	**88**	**–**		222	–		
Total contracted sales	**10,667**	**527,500**	**20,200**	4,976	272,300	18,300	

1 ASP of Shanghai KIC declined in 2011 due to the different products being sold. The residential units were sold at a higher price than the small offices in 2011.

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

3 ASP of Dalian Tiandi dropped in 2011 due principally to there were more townhouses with higher ASP launched for presale in 2010.

Property sales of the Group increased by 22% to RMB5,361 million with ASP growth of 64% to RMB28,500 per sq.m., while contributions from the new revenue stream – *en-bloc* sales of commercial property – amounted to RMB4,795 million. This segment recorded ASP of RMB15,600 per sq.m. for GFA of 306,400 sq.m..

The commercial properties sold were located at Shanghai KIC, Wuhan Tiandi, and Chongqing Tiandi, demonstrating their high asset quality and the Group's determination to expedite asset turnover as well as to shorten the payback period.

In 2011, ASP growth from the Group's Shanghai property sales remained strong. Shanghai Tiapingqiao Casa Lakeville recorded growth of 31% to RMB148,600 per sq.m. and Shanghai RHXC Phase 4 recorded 3% growth to RMB 39,600 per sq.m.. ASP of Shanghai KIC declined due to the sales of small offices in 2011. Chongqing Tiandi and Wuhan Tiandi entered harvest time with higher ASP growth of 10% and 58% respectively. The higher ASP growth achieved in Wuhan was due to the Phase 3 apartment unit size being larger, with upgraded fittings and its unique location facing an unobstructed view of the Yangtze River and Wuhan's No. II Bridge. The ASP of Foshan Lingnan Tiandi was significantly higher than that of the previous launch in 2010 of low-rise apartments for presale. The difference was due principally to the launch of presales of townhouses situated adjacent to the historical heritage buildings and retail area of Foshan Lingnan Tiandi. The ASP of Dalian Tiandi was lower in 2011 due principally to there were more townhouses with higher ASP launched for presale in 2010.

The table below shows the ASP of projects developed by the Group compared with the average ASP of the city centres in 2010 and 2011:

	Shui On Land		City Average[1]			
Project	2011 Contracted ASP RMB per sq.m.	2010 Contracted ASP RMB per sq.m.	2011 City centre ASP RMB per sq.m.	2010 City centre ASP RMB per sq.m.	10-year GDP Growth rate %	2010 GDP per capita US$ per capita
Shanghai			**50,170**	46,000	**11.4%**	11,600
– Taipingqiao	**148,600**	113,100				
– Rui Hong Xin Cheng	**39,600**	38,600				
Wuhan Tiandi	**32,000**	20,200	**7,573**	6,600	**13.9%**	7,300
Chongqing Tiandi[2]	**13,700**	12,400	**6,390**	5,900	**13.8%**	3,400
Foshan Lingnan Tiandi	**36,300**	18,000	**10,060**	9,900	**16.2%**	11,800
Dalian Tiandi[3]	**12,800**	17,600	**12,747**	12,000	**15.4%**	10,500

1 Source: City Statistics Bureau

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

3 ASP of Dalian Tiandi dropped in 2011 due principally to there were more townhouses with higher ASP launched for presale in 2010.

"Along with the Chinese economy's mighty growth potential and government's strong support in "Innovation and Industry Upgrade", we believe knowledge community is entering into a golden era in China. Considering the policy and economic uncertainty, we are conservatively optimistic toward KIC and DLTD's development in 2012. Achieving delivery and financial targets set in the Company's Three-Year Plan is still our priority."

Charles Chan
Executive Director – Shanghai KIC and Dalian Tiandi

The above table shows the ASP of the Group's projects as compared to the average ASP of the cities where these projects are located. In each case, the ASP of the Group's developments is much higher than the city averages in 2010 and 2011. This illustrates the effectiveness of the Group's development concept and the pricing power of our large scale, mixed-use, "Total Community" planning concept. It also shows the advantage of our prime location landbank and the customers' brand loyalty to "Tiandi" in these five high growth cities.

The following sections cover sales performance and price analysis by projects in 2011.

Shanghai Taipingqiao

In 2011, the contracted sales of residential units in "The Manor" of Towers 3 to 8 of Casa Lakeville amounted to RMB877 million for GFA of 5,900 sq.m.. These units were priced and sold within an ASP range from RMB132,000 per sq.m. in January 2011 to RMB178,100 per sq.m. in December of 2011. This price range represented an increase of 35% on ASP of RMB148,600 per sq.m., and was attributable to the scarce supply of comparably luxurious housing in downtown Shanghai.

Shanghai RHXC

Towers 1 and 2 of Phase 4 (Lot 4) were launched for pre-sale in April 2011. A total GFA of 32,000 sq.m. was pre-sold with ASP reaching RMB39,900 per sq.m. which was 3% higher than that of the previous launch of Towers 5 and 6 in December 2010. More than 90% of apartments pre-sold in 2010 and 2011 in Phase 4 of RHXC were delivered to customers in 2011. It is anticipated that Phase 5 (Lot 6), with a total residential GFA of 116,000 sq.m., will be partially launched for presales in late 2012.

Rendering of KIC Plaza Phase 3

Shanghai KIC

On 7 November 2011, the Company entered into a Sales and Purchase Agreement with the Yangpu Branch of the Industrial and Commercial Bank of China ("ICBC") for the sale of a building comprising 14,400 sq.m. of office and retail space, for a total consideration of RMB600 million. The ASP for the office space was RMB37,800 per sq.m. and that for the retail space was RMB45,000 per sq.m.. The building was completed and delivered to the customer in December 2011. The sale of the asset was recorded as disposal of investment property. In addition, a total GFA of 2,300 sq.m. comprising small-sized office units was sold for RMB50 million.

Wuhan Tiandi

The Riverview Phase 3 Lots A11 and A12 residential project at Wuhan Tiandi were launched for sale respectively in late 2010 and mid 2011. It was well received by the market. Contracted sales achieved RMB1,618 million in 2011, with an increase of 58% in ASP to RMB32,000 per sq.m.. Most of the residential units were sold and delivered to the customers in 2011.

In the first half of 2011, as part of the Three-Year Plan to increase asset turnover, the Group sold Corporate Centre No. 5 (Lot A5) at Wuhan Tiandi to Ping An Life Insurance Company of China, Ltd. ("Ping An") for a total consideration of RMB963 million. The office tower is an international Grade A office building with a total GFA of 59,000 sq.m.. As one of the largest and most highly-regarded financial institutions in China, the Ping An name and reputation are likely to assist in drawing more top class tenants to the building. Construction works for Corporate Centre No. 5 were completed and the building was delivered to Ping An in late 2011.

Chongqing Tiandi

A total GFA of 78,800 sq.m. of residential units at the Riviera Phases 2 & 3 was presold for RMB890 million at an ASP of RMB13,700 per sq.m..

In late 2011, the Group entered into multiple agreements with several third parties including certain affiliates of Ping An to sell various office buildings at the Chongqing Tiandi project comprising GFA of 233,200 sq.m. for a total consideration of RMB3,232 million. The office buildings are currently under development and are scheduled to be completed progressively between 2012 and 2013.

Foshan Lingnan Tiandi

The Legendary Phase 1 (Lot 14) townhouses at Foshan Lingnan Tiandi were launched for sale in early 2011. The project achieved total contracted sales of RMB479 million for GFA of 13,200 sq.m. at an ASP of RMB36,300 per sq.m.. The properties were completed and delivered to customers in 2011.

"THE HUB is not just another commercial development. We are developing a landmark mixed-use development that will become the heart of Shanghai's new Hongqiao CBD, which will be pedestrian-friendly and low carbon overall. This project is so special because sustainability is at the heart of our entire development strategy; we will obtain the highest Three Star rating from the China Green Standard and the LEED Gold rating from the US Green Building Council. We are creating a new urban oasis that will serve our tenants and customers well, while leaving a greener footprint in this great city."

Bryan Chan
Project Director – THE HUB

Dalian Tiandi

The project achieved total contracted sales of RMB423 million for GFA of 33,100 sq.m. in the form of townhouses and high-rise apartments in Phases 1 and 2 in the Huangnichuan area.

Locked-in Sales Carried Forward to 2012

As of 31 December 2011, the Group's undelivered contracted sales (including Dalian associates) increased to RMB4,877 million (representing 354,000 sq.m. of GFA), a jump of 51% when compared with RMB3,222 million as of 31 December 2010.

Residential Properties Available for Sale and Presale in 2012

The Group plans to launch seven residential properties with a total GFA of 654,900 sq.m. in 2012 of which 89% will be in Wuhan, Chongqing, Foshan and Dalian.

The table below summarises residential property available for sale in 2012:

Project	Available for sale and pre-sale in 2012 GFA in sq.m.	Group's interest
Shanghai Taipingqiao	1,000	99.0%
Shanghai RHXC	23,400	99.0%
Shanghai KIC	49,300	99.0%
Wuhan Tiandi	123,700	75.0%
Chongqing Tiandi	213,300	79.4%
Foshan Lingnan Tiandi	68,800	100.0%
Subtotal	479,500	
Dalian Tiandi[1]	175,400	48.0%
Total	**654,900**	

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

"The Lingnan Tiandi project has demonstrated a delicate balance between preservation and growth in which we have not only revitalised the "old" buildings, protected the historical alleys, improved the urban environment and economic competitiveness, but most importantly, carried on the stories and memories behind them. We believe all these are an integral part of sustainable development."

Alex Wong
Project Director – Foshan Lingnan Tiandi

Bird's view of The Riviera IV at Chongqing Tiandi

INVESTMENT PROPERTY

Rental and other related income from investment property increased by 20% to RMB849 million in 2011, generated primarily from 509,000 sq.m. of completed investment property. Rental income from the office buildings located in Dalian was reflected as share of results of associates.

A total GFA of 72,000 sq.m. of investment properties held by the subsidiaries of the Group was completed in 2011. They comprise office and retail space located at Shanghai KIC, Shanghai RHXC, Chongqing Tiandi and Foshan Lingnan Tiandi. A total of 113,000 sq.m. of office buildings located at Dalian Tiandi has been completed and is held by associates of the Group.

Since most new investment properties were completed and opened for business in late 2011, further increases in rental income are anticipated in the years ahead. As of 31 December 2011, the Group's portfolio of investment properties stood at a total GFA of 509,000 sq.m. held by subsidiaries of the Group, with the remaining GFA of 155,000 sq.m. held by associates of the Group. The aggregated of the completed GFA was 664,000 sq.m. of which approximately 54% was office space and 46% was retail space. A total GFA of 388,000 sq.m., or 58% of the completed investment properties, is located in Shanghai.

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

	Leasable GFA (sq.m.)				Occupancy rate			
Project	**Office**	**Retail**	**Serviced apartments**	**Total**	**31 December 2011**	**31 December 2010**	**31 December 2009**	**Group's interest**
Shanghai Taipingqiao								
Shanghai Xintiandi	5,000	47,000	5,000	57,000	100%	93%	100%	97.0%
Shanghai Xintiandi Style	–	27,000	–	27,000	96%	89%	N/A	99.0%
Shanghai Corporate Avenue	76,000	7,000	–	83,000	100%	99%	96%	99.0%
Subtotal	81,000	81,000	5,000	167,000				
Shanghai RHXC								
Phase 1	–	5,000	–	5,000	100%	100%	100%	75.0%
Phase 2	–	28,000	–	28,000	100%	100%	100%	74.3%
Phase 3	–	2,000	–	2,000	39%	N/A	N/A	74.3%
Phase 4	–	12,000	–	12,000	N/A	N/A	N/A	74.3%
Subtotal	–	47,000	–	47,000				
Shanghai KIC								
KIC Village R1 and R2	22,000	11,000	–	33,000	75%	39%	37%	86.8%
KIC Plaza Phase 1	29,000	21,000	–	50,000	77%	81%	83%	86.8%
KIC Plaza Phase 2	39,000	10,000	–	49,000	79%	17%	N/A	86.8%
KIC Plaza C2	30,000	12,000	–	42,000	33%	N/A	N/A	86.8%
Subtotal	120,000	54,000	–	174,000				
Hangzhou Xihu Tiandi								
Phase 1	–	6,000	–	6,000	100%	100%	100%	100.0%
Subtotal	–	6,000	–	6,000				
Wuhan Tiandi								
Wuhan Tiandi (Lot A4-1)	–	16,000	–	16,000	98%	94%	92%	75.0%
Wuhan Tiandi (Lots A4-2 and 3)	–	30,000	–	30,000	91%	70%	60%	75.0%
Subtotal	–	46,000	–	46,000				
Chongqing Tiandi								
The Riviera Phase 1	–	2,000	–	2,000	100%	100%	16%	79.4%
The Riviera Phase 2	–	2,000	–	2,000	96%	N/A	N/A	79.4%
Chongqing Tiandi (Lot B3/01)								
– Phase 1 – Upper and Lower Village	–	10,000	–	10,000	100%	98%	N/A	79.4%
– Phase 2 – Main buildings	–	39,000	–	39,000	59%	45%	N/A	79.4%
Subtotal	–	53,000	–	53,000				
Foshan Lingnan Tiandi								
Lot 1 Phase 1	–	16,000	–	16,000	22%	N/A	N/A	100.0%
Subtotal	–	16,000	–	16,000				
Dalian Tiandi[1]								
Software office buildings	42,000	–	–	42,000	91%	65%	N/A	48.0%
Ambow training school	113,000	–	–	113,000	100%	N/A	N/A	48.0%
Subtotal	155,000	–	–	155,000				
Total leasable GFA	**356,000**	**303,000**	**5,000**	**664,000**				
Investment properties held by:								
– Subsidiaries of the Group	201,000	303,000	5,000	509,000				
– Associated companies	155,000	–	–	155,000				
As of 31 December 2011	**356,000**	**303,000**	**5,000**	**664,000**				
– Subsidiaries of the Group	172,000	261,000	5,000	438,000				
– Associated companies	42,000	–	–	42,000				
As of 31 December 2010	214,000	261,000	5,000	480,000				

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

As of 31 December 2011, the carrying value of completed investment property rose by 16% to RMB17,981 million, due to the increase in rental and related income generated from the completed portfolio by 20% in 2011 and new completions of 72,000 sq.m.. The Shanghai portfolio accounted for 88%, while Wuhan, Chongqing and Foshan accounted for 12%.

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

Project	GFA in sq.m.	Increase (decrease) in fair value for the year ended 31 December 2011 RMB' million	Carrying value as of 31 December 2011 RMB' million	Carrying value per GFA RMB per sq.m.
Completed investment properties at valuation				
Shanghai Taipingqiao	162,000	553	10,220	63,100
Shanghai RHXC	35,000	11	651	18,600
Shanghai KIC	132,000	745	3,414	25,900
Wuhan Tiandi	46,000	304	959	20,800
Chongqing Tiandi	34,000	35	486	14,300
Subtotal	**409,000**	**1,648**	**15,730**	**38,500**
Investment properties completed in 2011 at valuation				
Shanghai RHXC	12,000	75	329	27,400
Shanghai KIC	42,000	812	1,292	30,800
Foshan Lingnan Tiandi	16,000	(91)	600	37,500
Chongqing Tiandi	2,000	–	30	15,000
Subtotal	**72,000**	**796**	**2,251**	**31,300**
Investment properties under development at valuation				
Shanghai Taipingqiao	156,000	18	4,470	28,700
Shanghai – THE HUB	233,000	–	3,207	13,800
Chongqing Tiandi	490,000	274	1,808	3,700
Foshan Lingnan Tiandi	15,000	(40)	442	29,500
Subtotal	**894,000**	**252**	**9,927**	**11,100**
Investment properties under development at cost				
Various projects		–	8,487	
Total		**2,696**	**36,395**	

“With commitment of building a sustainable multi-community, Rui Hong Xin Cheng has invested substantial resources in green building, customisation apartment, apartment layout standardisation, pre-cast application etc. The series of measures, including water reclaiming, construction material recycle etc, not only reflect the corporate and project’s consistent beliefs on sustainable development and sense of responsibility to the customers and society, effectively improve overall project quality and image, but also bring in satisfactory social and economic benefits.”

Jessica Wang
Project Director – Rui Hong Xin Cheng

Wuhan Tiandi features full range of modern facilities for office, residential & retail

COOPERATION AND PARTNERSHIP

The Group will continue to seek appropriate strategic partners to co-develop projects. This strategy allows the Group to tap the expertise of our strategic partners, accelerate returns from our projects, diversify risks and enhance cash flow. In November, the Group entered into a joint venture agreement with Mitsui Fudosan Residential Co. Ltd. ("Mitsui") for the co-development of Lingnan Tiandi Lot 18, which has a GFA of 108,000 sq.m.. Under the agreement, Mitsui will invest RMB391 million for 45% effective interest in Lingnan Tiandi Lot 18, or approximately 3% of the total GFA of Foshan Lingnan Tiandi.

PROPERTY DEVELOPMENT – ACCELERATING DEVELOPMENT

To accomplish the "Three-Year Plan" initiatives set in 2009, the Group has been expediting the development of various projects.

"Develop self-sufficiency and long-term sustainable development of large scale residential and commercial composite projects. We balance the cost benefits and Central Government green policy when we adopt the internationally recognised LEED, China Green Standards. I and my team are also proud of the first BREEAM registered commercial project in China, and we will work energetically to keep Wuhan Tiandi as the landmark."

Matthew Guo
Project Director – Wuhan Tiandi

The table below summarises the projects that were completed in 2011 and are planned for completion in 2012:

Project	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Subtotal sq.m.	Clubhouse, carpark and other facilities sq.m.	Total sq.m.
Property delivered in 2011							
Shanghai RHXC	63,000	–	12,000	–	**75,000**	32,000	**107,000**
Shanghai KIC	–	42,000	14,000	–	**56,000**	19,000	**75,000**
Wuhan Tiandi	51,000	57,000	2,000	–	**110,000**	45,000	**155,000**
Chongqing Tiandi	112,000	–	2,000	–	**114,000**	51,000	**165,000**
Foshan Lingnan Tiandi	55,000	–	16,000	–	**71,000**	30,000	**101,000**
Dalian Tiandi[1]	46,000	113,000	–	–	**159,000**	4,000	**163,000**
Total	**327,000**	**212,000**	**46,000**	**–**	**585,000**	**181,000**	**766,000**
Plan for delivery in 2012							
Shanghai Taipingqiao	–	–	1,000	33,000	**34,000**	19,000	**53,000**
Wuhan Tiandi	66,000	–	1,000	–	**67,000**	18,000	**85,000**
Chongqing Tiandi	175,000	299,000	88,000	–	**562,000**	202,000	**764,000**
Foshan Lingnan Tiandi	66,000	–	43,000	45,000	**154,000**	68,000	**222,000**
Dalian Tiandi[1]	98,000	88,000	–	–	**186,000**	98,000	**284,000**
Total	**405,000**	**387,000**	**133,000**	**78,000**	**1,003,000**	**405,000**	**1,408,000**

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

Show flat of Rui Hong Xin Cheng • Ming Ting

LANDBANK AT A GLANCE

As of 31 December 2011, the Group's landbank including Dalian associates stood at GFA of 13.0 million sq.m. (a total GFA of 11.1 million sq.m. of leasable and saleable area, and a total GFA of 1.9 million sq.m. for clubhouses, car parking spaces and other facilities) in the nine development projects located in prime areas spanning six cities: Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian.

Private swimming pool of The Waterfront at Chongqing Tiandi

The Group's total landbank as of 31 December 2011, including that of its associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Subtotal sq.m.	Clubhouse, carpark and other facilities sq.m.	Total sq.m.	Group's interest %
Completed property:								
Shanghai Taipingqiao	1,000	81,000	81,000	5,000	168,000	82,000	250,000	99.0%[1]
Shanghai RHXC	5,000	–	47,000	–	52,000	69,000	121,000	74.3%[2]
Shanghai KIC	–	120,000	54,000	–	174,000	105,000	279,000	86.8%
Hangzhou Xihu Tiandi	–	–	6,000	–	6,000	–	6,000	100.0%
Wuhan Tiandi	5,000	–	46,000	–	51,000	69,000	120,000	75.0%
Chongqing Tiandi	23,000	–	53,000	–	76,000	90,000	166,000	79.4%
Foshan Lingnan Tiandi	4,000	–	16,000	–	20,000	30,000	50,000	100.0%
Dalian Tiandi	27,000	155,000	–	–	182,000	19,000	201,000	48.0%[3]
Subtotal	**65,000**	**356,000**	**303,000**	**5,000**	**729,000**	**464,000**	**1,193,000**	
Property under development:								
Shanghai Taipingqiao	90,000	105,000	51,000	–	246,000	78,000	324,000	99.0%[1]
Shanghai RHXC	116,000	–	18,000	–	134,000	52,000	186,000	74.3%[2]
Shanghai KIC	49,000	98,000	–	18,000	165,000	25,000	190,000	99.0%[4]
THE HUB	–	105,000	128,000	44,000	277,000	110,000	387,000	100.0%
Wuhan Tiandi	120,000	–	112,000	–	232,000	31,000	263,000	75.0%
Chongqing Tiandi	428,000	754,000	280,000	25,000	1,487,000	449,000	1,936,000	79.4%[5]
Foshan Lingnan Tiandi	250,000	–	120,000	45,000	415,000	177,000	592,000	100.0%
Dalian Tiandi	569,000	263,000	243,000	33,000	1,108,000	220,000	1,328,000	48.0%[3]
Subtotal	**1,622,000**	**1,325,000**	**952,000**	**165,000**	**4,064,000**	**1,142,000**	**5,206,000**	
Property for future development:								
Shanghai Taipingqiao	166,000	174,000	118,000	38,000	496,000	44,000	540,000	99.0%
Shanghai RHXC	535,000	272,000	252,000	10,000	1,069,000	12,000	1,081,000	74.3%[2]
Wuhan Tiandi	424,000	287,000	92,000	50,000	853,000	4,000	857,000	75.0%
Chongqing Tiandi	780,000	25,000	91,000	78,000	974,000	218,000	1,192,000	79.4%
Foshan Lingnan Tiandi	379,000	450,000	125,000	80,000	1,034,000	28,000	1,062,000	100.0%
Dalian Tiandi	569,000	901,000	362,000	49,000	1,881,000	2,000	1,883,000	48.0%[3]
Subtotal	**2,853,000**	**2,109,000**	**1,040,000**	**305,000**	**6,307,000**	**308,000**	**6,615,000**	
Total landbank GFA	**4,540,000**	**3,790,000**	**2,295,000**	**475,000**	**11,100,000**	**1,914,000**	**13,014,000**	

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

2 The Group has a 75.0% interest in Phase 1, Lot 167A and Lot 167B of Shanghai Rui Hong Xin Cheng project, a 99.0% interest in the non-retail portion of Lot 6 (Phase 5) and a 74.3% interest in all the remaining phases.

3 Dalian Tiandi has a landbank of 3.4 million sq.m. in GFA. As of 31 December 2011, approximately 3.1 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course.

4 The Group has 99.0% and 86.8% interest respectively in KIC Lot 311 and KIC Lot 12-8.

5 The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 in which the Group has a 59.5% effective interest. The development of super high rise office towers is planned for Lot B11-1/02.

FINANCIAL REVIEW

> "Our close monitoring of the market has ensured that we have been able to tap the funding opportunities that have arisen, despite the sluggish state of the debt capital markets."

Daniel Y. K. WAN
Managing Director & CFO

REPORT FORM THE CFO

During 2011, global market sentiment was beset by uncertainty and volatility, resulting primarily from the high levels of government debt in the United States and Europe. In particular, the looming Euro crisis in the second half of 2011 had a negative impact on the debt capital markets in Asia.

In China, the Central Government tightened bank credit policies in order to control inflation. The consequent reduction in the availability of bank credit caused market interest rates to rise.

My priority in 2011 was to maintain adequate liquidity for the Group under a debt structure acceptable to the market, and matching the investment funding requirements of our Three Year Plan. In overall terms, our ship has steered a steady course, maintaining sustainable and balanced growth on the basis of solid performance and careful long range planning. Our prime land bank and our human capital are the assets that underpin our development.

Against this backdrop, we successfully secured banking facilities to cover the development costs of our new Shanghai Hongqiao project, amounting to RMB4,617 million. Additionally, during 2011 we drew on new bank loans amounting to RMB6,106 million.

Riding on the success of our note issue in 2010, we issued a new 4-year synthetic bond in the amount of RMB3,500 million in January 2011. Our close monitoring of the market has thus ensured that we have been able to tap the funding opportunities that have arisen, despite the sluggish state of the debt capital markets.

We take pride in being a pioneer in the Asian debt capital markets. In January and February 2012, we successfully launched two issues, respectively a 3-year SGD250 million senior notes

Marco Polo Hotel & Residence at Foshan Lingnan Tiandi

and US$475 million notes. Together with the RMB2,720 million convertible bonds and the RMB3,000 million notes issued respectively in September and December 2010, the Group has raised an aggregate of RMB13,516 million debt instrument. As a result, the Group has sufficient financial resources to ensure adequate liquidity to execute our Three Year Plan.

I would like to take this opportunity to thank our bankers and investors for their continual support for and confidence in our Group, which we value greatly.

Daniel Y. K. WAN
Managing Director & CFO

FINANCIAL REVIEW

Turnover of the Group rose to a record high in 2011 of RMB8,484 million (2010: RMB4,879 million), an increase of 74% due primarily to the higher property sales recognised in 2011.

Property sales increased by 83% to RMB7,581 million (2010: RMB4,133 million) due to a rise in average selling price ("ASP") across all projects ranging from 31% to 52%, together with an increase in the area being delivered from 212,300 sq.m. to 329,400 sq.m.. Details of property sales during the year ended 31 December 2011 are contained in the paragraph headed "Property Sales" in the Business Review Section.

Rental and related income from investment properties of the Group rose by 20% to RMB849 million (2010: RMB706 million), due primarily to more leasable area available as a result of more investment properties completed during the year together with an improved general occupancy rate for those projects newly completed in 2011.

Gross profit for 2011 increased to RMB3,701 million (2010: RMB2,010 million) with a gross profit margin of 44% (2010: 41%), due largely to the increased ASP across all the projects being recognised in 2011.

Other income rose by 8% to RMB244 million (2010: RMB226 million), resulting mainly from an increase in interest income from banks to RMB84 million (2010: RMB75 million).

The Commercial Cluster at Chongqing Tiandi boosts the city internationalisation

Selling and marketing expenses increased by 37% to RMB195 million (2010: RMB142 million) stemming mainly from the increase in contracted sales of the Group from RMB4,606 million in 2010 to RMB10,244 million in 2011 (excluding sales by associates). The increase in selling and marketing expenses represented a lower proportion of the total contracted sales of which the RMB4,795 million were *en-bloc* sales that incurred fewer marketing and promotion expenses.

General and administrative expenses increased slightly by 13% to RMB634 million (2010: RMB561 million) as more operating expenses were incurred from the increase of new investment properties completed in recent years.

Operating profit more than doubled to RMB3,116 million (2010: RMB1,533 million), a result of various factors mentioned above.

With the communities around our investment properties becoming more mature and well developed, the rental and occupancy rates have been on a rising trend. As a result, *increase in fair value of investment properties* reached RMB2,696 million (2010: RMB2,711 million), of which RMB1,648 million (2010: RMB1,140 million) was derived from completed investment properties and RMB1,048 million (2010: RMB1,571 million) from investment properties under construction or development. Details of the investment properties are contained in the paragraph headed "Investment Properties" in the Business Review Section.

Gain on disposal of investment properties of RMB17 million (2010: RMB23 million) for the year ended 31 December 2011 represented the disposal of office and retail spaces at a consideration of RMB613 million (2010: RMB185 million), less their respective revalued carrying amount of RMB596 million (2010: RMB162 million) as calculated when these properties were sold.

Share of results of associates was RMB137 million (2010: RMB58 million), which included a revaluation gain on the investment properties under development or construction (net of related taxes) amounting to RMB95 million (2010: RMB96 million) attributable to the Group.

Finance costs, net of exchange gain amounted to a net income of RMB94 million (2010: RMB42 million), mainly due to an exchange gain on bank and other borrowings of RMB311 million (2010: RMB200 million). With the issue of RMB2,720 million of convertible bonds and RMB3,000 million of notes in the second half of 2010 and RMB3,500 million of notes in early 2011, interest expenses increased to RMB1,800 million (2010: RMB888 million). Capitalised borrowing costs increased proportionally to RMB1,608 million (2010: RMB796 million).

Profit before taxation increased by 39% to RMB6,060 million (2010: RMB4,367 million), as a result of the various factors mentioned above.

Taxation increased by 52% to RMB2,062 million (2010: RMB1,357 million). Excluding the land appreciation tax of RMB641 million (which was assessed based on the appreciation value of properties disposed of) together with its corresponding enterprise income tax effect of RMB160 million, the effective tax rate for the year 2011 was 26.0% (2010: 27.4%).

Profit attributable to shareholders of the Company for 2011 was RMB3,428 million, an increase of 22% when compared to 2010 (2010: RMB2,809 million). Return on equity for 2011 was 14% (2010: 13%), which was calculated based on profit attributable to shareholders for the year divided by the shareholders' equity at the beginning of the year.

Profit attributable to shareholders excluding the increase in fair value of investment properties is as follows:

	Year ended 31 December		
	2011 RMB'million	**2010 RMB'million**	**Change %**
Profit attributable to shareholders of the Company	**3,428**	2,809	+22%
Less:			
Increase in fair value of investment properties of the Group (net of deferred tax effect and share of non-controlling interests)	**(1,761)**	(1,957)	
Share of increase in fair value of investment properties of associates (net of tax effect)	**(95)**	(96)	
Profit attributable to shareholders of the Company before revaluation of investment properties	**1,572**	756	+108%

Earnings per share was RMB0.66 calculated based on a weighted average of approximately 5,212 million shares in issue during the year ended 31 December 2011 (2010: RMB0.55 calculated based on a weighted average of approximately 5,091 million shares in issue).

Capital Structure, Gearing Ratio and Funding

In January 2011, the Group issued RMB3,500 million senior notes with a maturity of four years due in January 2015 (the "2015 RMB Notes"). The 2015 RMB Notes are denominated in RMB and settled in US dollars ("US$"), with coupon rate of 7.625% per annum payable semi-annually.

Together with bank and other borrowings, the RMB2,720 million 4.5% convertible bonds and the RMB3,000 million 6.875% notes due in December 2013, the structure of the Group's borrowings as of 31 December 2011 is summarised below:

	Total (in RMB equivalent) RMB'million	Due within one year RMB'million	Due in more than one year but not exceeding two years RMB'million	Due in more than two years but not exceeding five years RMB'million	Due in more than five years RMB'million
Bank borrowings – RMB	**6,760**	1,687	1,477	2,458	1,138
Bank borrowings – HK$	**9,166**	6,585	2,013	568	–
Other borrowings – US$	**817**	502	315	–	–
	16,743	8,774	3,805	3,026	1,138
Convertible bonds – RMB	**2,225**	–	2,225	–	–
Notes – RMB	**6,520**	–	2,962	3,558	–
Total	**25,488**	8,774	8,992	6,584	1,138

In January and February 2012 respectively, the Group issued SGD250 million 8% senior notes and US$475 million 9.75% notes, each with a maturity of three years. The proceeds from notes issues will be used to finance the land relocations of existing projects and for working capital purposes.

Total cash and bank deposits amounted to RMB6,370 million as of 31 December 2011 (31 December 2010: RMB6,790 million), which included RMB2,512 million (31 December 2010: RMB1,885 million) of deposits pledged to banks and RMB335 million (31 December 2010: RMB243 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2011, the Group's net debt balance was RMB19,118 million (31 December 2010: RMB11,455 million) and its total equity was RMB29,471 million (31 December 2010: RMB26,028 million). The Group's net gearing ratio was 65% as of 31 December 2011 (31 December 2010: 44%), calculated on the basis of the excess of the sum of convertible bonds, notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

Pledged Assets

As of 31 December 2011, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable and bank and cash balances totalling RMB28,963 million (31 December 2010: RMB25,275 million) to secure our borrowings of RMB13,981 million (31 December 2010: RMB11,186 million).

Capital and Other Development Related Commitments

As of 31 December 2011, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB11,967 million (31 December 2010: RMB14,579 million).

Future Plans for Material Investments and Sources of Funding

On 9 September 2011, the Group entered into a sales and purchase agreement with certain subsidiaries of Shui On Company Limited (a substantial shareholder) to acquire 80% interest in Shui On Plaza and 66.7% interest in Langham Xintiandi Hotel in an initial consideration of HK$2,086 million (equivalent to RMB1,694 million).

On 16 March 2012, these acquisitions were completed and 613,529,412 new and fully paid ordinary shares of the Company were issued on the same date as consideration to the sellers. These new shares ranked pari passu to the existing shares of the Company.

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

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

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


Wuhan Tiandi bird's view

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

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

At 31 December 2011, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Borrowing Rates ("HIBOR"). The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interest at variable rates at HIBOR and pay interest at fixed rates ranging from 0.69% to 3.58% based on the notional amount of HK$8,210 million in aggregate.

Save as disclosed above, the Group did not hold any other derivative financial instruments as of 31 December 2011. The Group continues to monitor its exposure to interest rate and exchange rate risks closely, and may employ derivative financial instruments to hedge against risk when necessary.

MARKET OUTLOOK

The Waterfront at Chongqing Tiandi

Stability will be the watchword for China's economic policy in 2012, against a backdrop of a slowing global economy, geopolitical turmoil in the Middle East and the upcoming leadership transition. With the dual goals of preventing an inflationary resurgence while guiding the economy to a soft landing, China's policymakers are fine-tuning the policy settings and will be vigilant and ready to deploy targeted growth-supporting measures if warranted by external events such as the ongoing Euro-area debt crisis. The People's Bank of China has proactively lowered the bank reserve requirement twice since November 2011, setting the stage for a gradual easing of monetary policy that will release funds to the government's targeted projects, including social housing.

After a year of austerity measures, land and housing prices have cooled in China's major cities. In response, some local authorities have introduced various types of housing policy adjustments. In November 2011, Chongqing announced a personal income tax rebate for first-home mortgage repayment, after its housing market had undergone a marked adjustment in transaction volume and prices.

Despite these developments, national policymakers are determined to retain the market control measures to steer housing prices to "reasonable" levels and will not lift the purchase restriction policies any time soon. The outlook for the residential sector will remain subdued, but market sentiment this year will be cushioned by an improving credit environment for first-home purchases that will attract more "wait-and-see" buyers back to the market.

In the commercial property segment, the prospects are bright in view of China's switch towards a domestic consumption-oriented and services sector-driven growth model. Rapid urbanisation, the emergence of a middle class and the construction of modern retail facilities will support consumer demand for retail property and lifestyle hubs. Notably, deregulation of the insurance sector in September 2010 has allowed insurers to invest up to 10% of their assets in commercial real estate by purchasing completed buildings or non-controlling equity stakes in publicly listed real estate companies. Total assets of Chinese Mainland insurers are projected to grow by RMB1 trillion a year from RMB6.0 trillion in 2011 to RMB10 trillion by 2015. This means that Chinese insurers will be able to invest up to RMB100 billion of additional funds in real estate a year, which affords us the opportunity to implement our strategy of selling some non-core commercial property assets to generate cash for ongoing development projects.

All our development projects are located in cities with outstanding economic prospects, namely Shanghai, Chongqing, Wuhan, Foshan and Dalian. Among these cities, Shanghai has the most mature commercial property market and continues to offer very promising development and investment prospects, while Chongqing has captured growing attention from the international investment community. According to the Urban Land Institute's (ULI's) Emerging Trends in Real Estate Asia Pacific 2012, Shanghai is second only to Singapore amongst Asia Pacific cities for both investment and development prospects. Chongqing, which was a new addition to the ULI survey this year, surpassed Beijing and Guangzhou to rank number four for investment and number three for development prospects.

Shanghai's mission to become an international financial centre received an enormous boost in January 2012 with the announcement of a plan to make the city a global centre for RMB trading, clearing and pricing by 2015. Under the plan, Shanghai is targeting annual financial market transaction volume to increase from RMB386.2 trillion in 2010 to RMB1,000 trillion in 2015, and for financial sector employment to increase from 230,000 to 320,000 over the same period. This will spur an increase in demand for Grade A office space as well as premium retail and residential property. Shanghai attracted 48 multinational companies to set up regional headquarters in 2011 bringing the total to 353, and is targeting another 50 in 2012. According to Knight Frank, Shanghai Grade A office rentals rose by 12% year on year to RMB9.2/sq.m/day in the fourth quarter of 2011, and with less new supply expected this year rentals are projected to increase by 6-10% in 2012.

Chongqing, in keeping with its status as the principal economic hub of West China, ranked number one among mainland China's provincial-level regions for growth in each of five indicators in 2011: GDP, industrial added value, foreign direct investment, foreign trade volume and air freight volume. The elevation of Liangjiang New Area to national-level status has added to Chongqing's appeal to multinational companies. Foreign direct investment rose by 66% to US$10.5 billion in 2011, and more than 200 of the top 500 global companies now have a presence in the municipality. The high-end housing market will benefit from Chongqing's new personal income tax rebate on first-home mortgage repayments, because the progressive income tax structure provides additional incentive for high-income individuals to reduce tax liabilities by taking on a home mortgage.

In Wuhan's 2012 Government Work Report issued in January, the municipal government announced its aspiration to become a National Central City, alongside Beijing, Shanghai, Tianjin, Guangzhou and Chongqing. Wuhan is well placed to achieve this status in view of its advantage as a regional transportation hub, being the interchange for the Beijing-Hong Kong, Shanghai-Chengdu and Wuhan-Guangzhou high-speed rail trunk lines. Development of Wuhan's priority industries, including financial services, exhibition and maritime, will drive demand for the city's office and retail property.

In Guangdong province, the integration of Foshan with Guangzhou will boost Foshan's commercial and residential property markets. Based on the Guang-Fo Integration Work Plan 2011-2012, 53 cooperation projects including 21 infrastructure integration projects will be launched in 2012. Going forward, bank customers in both cities will not have to pay a fee to use cash deposit and withdrawal services within the two cities. This kind of financial sector integration will facilitate retail consumption and help Foshan to accomplish its 13% per annum retail sales growth target in 2011-2015.

Dalian's software and service outsourcing sector is on track to maintain a rapid pace of development, especially in the High Tech Zone where total revenue is expected to grow by almost four times from RMB76 billion in 2011 to RMB300 billion in 2015. In order to attract talent to support this growth, the municipal government plans to modify the local home purchase restrictions to allow recently arrived qualified talent to buy local housing. Such a policy will help to boost end-user housing demand in Dalian.

We believe that our mixed-use property development model is a competitive strength that provides risk diversification and flexibility in China's frequently changing real estate market. Our centrally located community developments in major city cores, where developable land is scarce, can command premium prices. The value of our commercial properties, including Tiandi-style and Transport Hub developments, will benefit from improved regional integration resulting from the new high-speed rail network, growing middle-class affluence as well as government policies to increase household consumption and service sector development. In view of the prospect for housing purchase restrictions to remain in place in the near term, we will achieve growth by managing the proportion of cashflow contributions from commercial and residential real estate accordingly.

SUSTAINABLE GROWTH

Our adoption of LEED System, a world renowned green building rating system managed by the U.S. Green Building Council, and the philanthropic activities of the Seagull Club, a Shui On employees volunteer charity organisation, are examples of how we are committed to

social responsibility


瑞安海鸥社
慈善音乐会

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company is pleased to present the Corporate Governance Report for the year ended 31 December 2011.

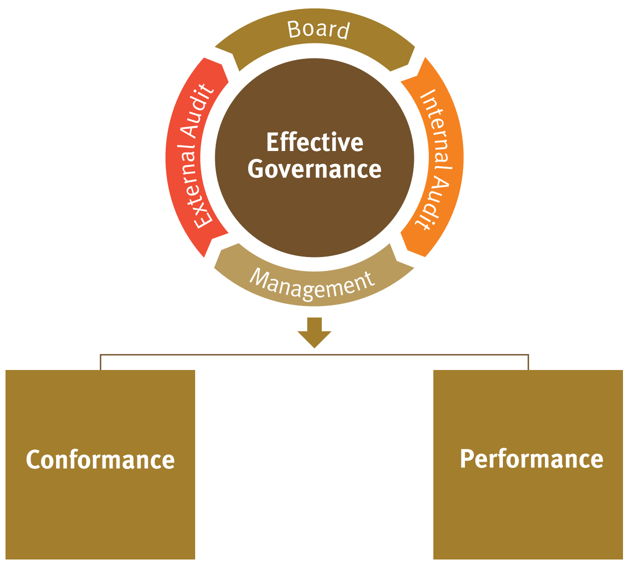
The Company is committed to enhancing its corporate governance practices appropriately to the conduct and growth of its business, and to pursue a right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Main Board Listing Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and align with its latest amendments. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholders' value, and stakeholders' confidence in the Company.

The fruitful results of good corporate governance practices have enabled the Company to leverage its competitive advantages from many perspectives. The trust and support from the Company's stakeholders have become drivers and enablers of our continuing success and growth. The Company has experienced these benefits during its on-shore and off-shore fund raisings as well as when entering into long term strategic partnership with renowned companies. From an ethical perspective, our integrity has won the trust of the PRC Government which has in consequence granted us more new large scale metropolitan development projects, such as THE HUB at Shanghai Hongqiao Transportation Hub.

In reflection of this, the Company was proud to receive a number of awards from various organisations for high standards of corporate governance and investor relations during 2011. These awards are listed in the "Awards Received" section of this report.

The Board would like to take this opportunity to express its gratitude to Mr. LEUNG Chun Ying, Dr. Edgar W. K. CHENG, and Mr. Louis H. W. WONG, who have resigned or retired from the Board, for their valuable advice and contributions during their terms of services.

SHUI ON LAND CORPORATE GOVERNANCE FRAMEWORK



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

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of the various procedures and documentation, which are detailed in this report. The Company has applied the principles of and complied with the applicable code provisions of the CG Code contained in Appendix 14 of the Listing Rules on the Stock Exchange during the year ended 31 December 2011, with the exception of CG Code provision A.2.1 for a period in early 2011 for well considered reasons as explained below.

At the time of this report, the Company has already implemented all the corporate governance practices necessary to fulfill the new mandatory requirements of the relevant Listing Rules of the Stock Exchange prior to its latest effective date on 1 April 2012. The Company uses a standard checklist to check and review periodically the compliance with the concurrent CG Code.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has reserved for its decision or consideration matters concerning principally the Company's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointments or re-appointments, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the daily operations and administration of the Company to the management. The respective functions of the Board and management of the Company have been formalised and set out in a written document (see Exhibit 1). The Board will review this document once a year. In addition, the Board has established respective board committees and has delegated to these board committees various responsibilities set out in their terms of reference.

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

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

BOARD COMPOSITION

As a commitment to good corporate governance, Article No. 97(1) of the Company's Articles of Association stipulates that subject to the conditions under Article No. 135, the Board shall include a majority of INEDs.

During the year ended 31 December 2011, the members of the Board of the Company were as follows:

Executive Directors
Mr. Vincent H. S. LO (Chairman)
Mr. Freddy C. K. LEE (Managing Director and Chief Executive Officer)
Mr. Daniel Y. K. WAN (Managing Director and Chief Financial Officer)
Mr. Louis H. W. WONG (Retired with effect from 16 March 2011)
Non-executive Directors
Mr. LEUNG Chun Ying (Resigned with effect from 31 December 2011)
Mr. Frankie Y. L. WONG (Appointed with effect from 17 August 2011)
Independent Non-executive Directors ("INEDs")
Sir John R. H. BOND
Dr. Edgar W. K. CHENG (Resigned with effect from 3 November 2011)
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

Mr. LEUNG Chun Ying resigned as he would like to concentrate his efforts on the 2012 Hong Kong Chief Executive election. He and Dr. Edgar W. K. CHENG both confirmed that they have no disagreement with the Board and there were no other matters that need to be brought to the attention of the shareholders of the Company in relation to their resignations.

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

During the period from 3 November 2011 to 31 December 2011, half of the members of the Board were INEDs. For the remainder of the year ended 31 December 2011, the majority of the members of the Board were INEDs. The Board is currently made up of nine members in total, with three Executive Directors, one Non-executive Director and five INEDs.

The current Board of the Company comprises the following Directors:

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

The above updated List of Directors and their Role and Function has been posted on the Company's and the Stock Exchange's websites.

The brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 104 to 109.

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

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

Article No. 103 of the Company's Articles of Association also allows a qualified shareholder to propose a person, other than a retiring director of the Company or a person recommended by the Directors, for election as a director of the Company. The detailed requirements and procedure for such action have been posted on the Company's website.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

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

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

BOARD AND BOARD COMMITTEES MEETINGS

Number of Meetings and Directors' Attendance

The Company held five full board meetings in the year 2011 and has already set a schedule for its regular board meetings and committee meetings in the year 2012 in order to comply with the CG Code.

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

Name of Directors	Attendance/Number of Meeting(s) Held during Tenure
Executive Directors	
Mr. Vincent H. S. LO (Chairman)	5/5
Mr. Freddy C. K. LEE	5/5
Mr. Daniel Y. K. WAN	5/5
Mr. Louis H. W. WONG (Retired with effect from 16 March 2011)	1/2
Non-executive Directors	
Mr. LEUNG Chun Ying (Resigned with effect from 31 December 2011)	4/5
Mr. Frankie Y. L. WONG (Appointed with effect from 17 August 2011)	1/1
INEDs	
Sir John R. H. BOND	3/5
Dr. Edgar W. K. CHENG (Resigned with effect from 3 November 2011)	4/4
Dr. William K. L. FUNG	4/5
Professor Gary C. BIDDLE	5/5
Dr. Roger L. McCARTHY	5/5
Mr. David J. SHAW	5/5

Practice and Conduct of Meetings

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2011, the Company has complied with the code provisions of the CG Code except for the following deviation during the period of 1 January 2011 to 16 March 2011:

Code provision A.2.1: The roles of Chairman and CEO should be separate and should not be performed by the same individual.

The reason for this deviation was as follows:

Mr. Vincent H. S. LO, who is the founder of the Company, was both the Chairman and CEO of the Company up to 16 March 2011. The Board considered that vesting the roles of the Chairman and CEO in the same person was necessary because of the unique role and market importance of Mr. Vincent H. S. LO in the Company's business development efforts. This vesting provided strong and consistent market leadership and was critical for the efficient business planning and decisions of the Company in its maturing stage of development. Furthermore, all major decisions were made in consultation with members of the Board and appropriate board committees. There were six INEDs on the Board offering strong, independent and differing perspectives. The Board was therefore of the view that there were adequate balance of power and safeguards in place.

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

On 16 March 2011, the Chairman and all the Directors, unanimously agreed that it was now the appropriate time to separate the responsibilities and the roles of Chairman and CEO of the Company to enhance effectiveness of the Company's corporate governance structure.

With the appointment of Mr. Freddy C. K. LEE as CEO of the Company on 16 March 2011, while Mr. Vincent H. S. LO remained as the Chairman of the Company with effect from the same date, the Company has fully complied with the code provisions of the CG Code.

The division of responsibilities between the Chairman and the CEO is defined and elaborated in Exhibit 2.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

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

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

BOARD COMMITTEES

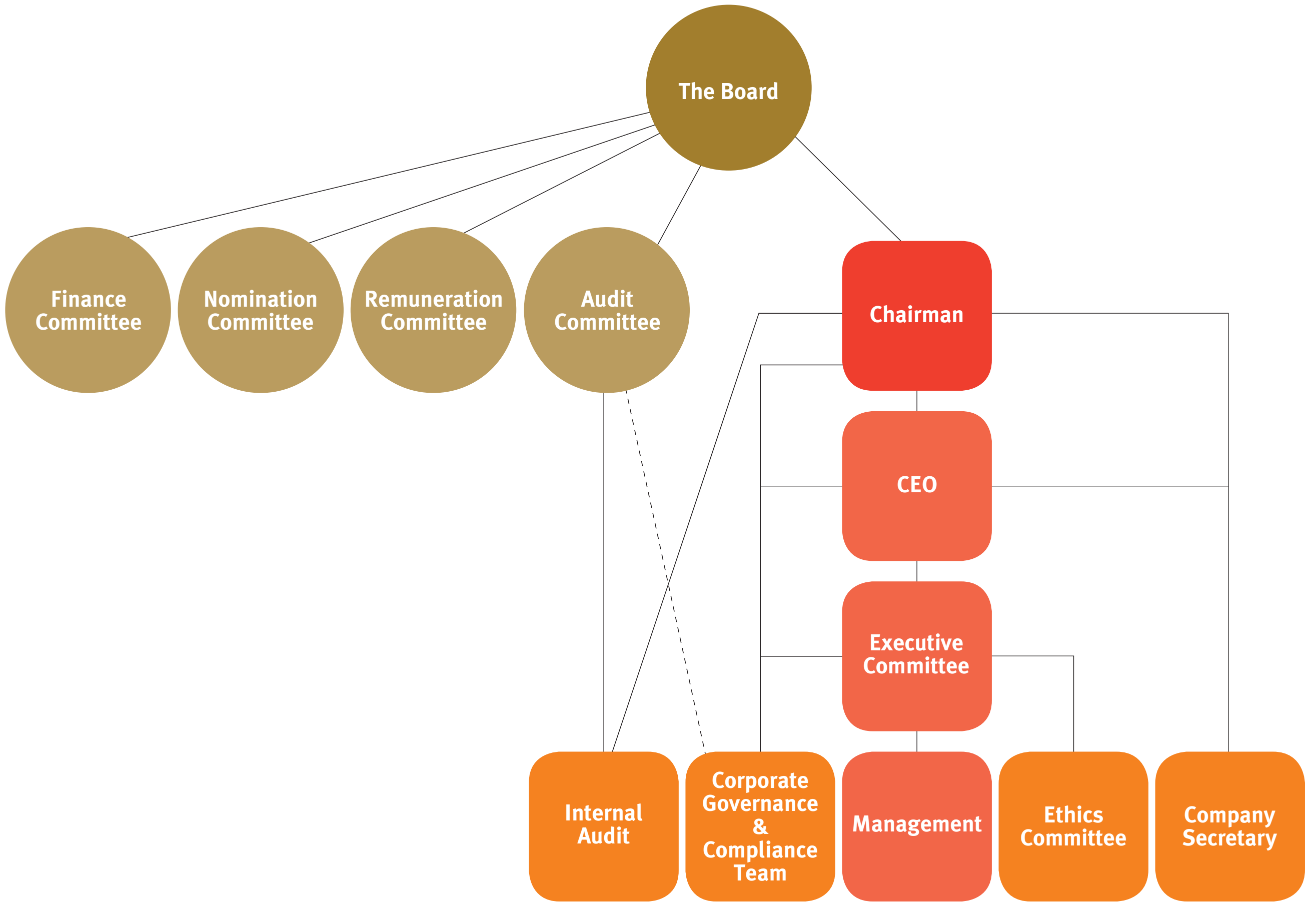
During the year ended 31 December 2011, the Board has four established committees, namely, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Finance Committee, for overseeing particular aspects of the Company's affairs.

The four board committees of the Company are established with defined written terms of reference, approved by the Board, which set out the Committees' major duties. The terms of reference of the board committees have been revised in January 2012 to accommodate with the latest amendments of the Stock Exchange's Listing Rules and the CG Code. These are now posted on the Company's and the Stock Exchange's websites and are available to shareholders.

Except for the Finance Committee, the majority of the members of each board committee are INEDs. The list of the chairman and members of each board committee is set out under "Corporate Information" on page 200.

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

SHUI ON LAND
CORPORATE GOVERNANCE ORGANISATION



REMUNERATION COMMITTEE

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

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration packages of the Directors and senior management, and to evaluate and make recommendations on employee benefit arrangements. Its updated duties are shown in Exhibit 3.

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

The Remuneration Committee normally meets to review the remuneration policy and structure and to determine the annual remuneration packages of the Executive Directors and the senior management and other related matters.

The Remuneration Committee held one meeting during the year ended 31 December 2011, and this meeting was attended by all three members.

During the year, major tasks of the Remuneration Committee included the review and evaluation of proposals on Long Term and Short Term Incentive Schemes in respect of executives' compensations which would link to and be measured by the Company's performance results; and the approvals of the remuneration packages of Executive Directors. The Committee reviewed also the share options scheme for staff, Directors and advisers; the

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

2010 bonus to Executive Directors, senior management and staff; the remuneration policy; and resolved to revise the mid point of the salary ranges to align with the market.

Details of the remuneration of the Directors for the year ended 31 December 2011 are set out in note 10 to the financial statements.

AUDIT COMMITTEE

During the year ended 31 December 2011, the Audit Committee consisted of three members. The members of the Audit Committee during the year were:

Professor Gary C. BIDDLE

Dr. Edgar W. K. CHENG (resigned with effect from 3 November 2011)

Dr. Roger L. McCARTHY

Mr. Frankie Y. L. WONG (appointed with effect from 3 November 2011)

Professor Gary C. BIDDLE and Dr. Roger L. McCARTHY are INEDs. The chairman of the Audit Committee is Professor Gary C. BIDDLE. All members of the Audit Committee have no previous relationships to the Company's existing external auditors.

The main duties of the Audit Committee include the following:

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

In January 2012, the Audit Committee was also assigned with the duties to assist the Board and its Chairman in performing the corporate governance duties as required under the latest amendments to the CG Code. The terms of reference of the Audit Committee have been revised accordingly and the updated duties are shown in details in Exhibit 4.

The Audit Committee has reviewed the Group's interim and annual results for the year ended 31 December 2011, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditors.

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

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

Two meetings were held by the Audit Committee during the year ended 31 December 2011 and these meetings were attended by all three concurrent members.

The Audit Committee also held separate meetings with the external auditors, the internal auditor and the finance executives once during the year to discuss on pertinent issues of the Company without the Executive Directors being present.

The Audit Committee reviewed the risk assessment conducted by the internal auditors on the Audit Committee Meetings and made summary reports to the Board. The Committee reviewed and commented on all draft announcements and circulars required under the Stock Exchange's rules before their formal issuance. It also uses a self assessment checklist to review and enhance the performance of the Audit Committee on a semi-annual basis. Periodically, the members of the Audit Committee visit the Company's projects to keep abreast of their development. The Audit Committee also held a seminar with management on financing and accounting issues to enhance corporate governance.

NOMINATION COMMITTEE

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

The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs. The updated duties of the Nomination Committee are shown in Exhibit 5.

Meetings are held on need basis. One meeting was held by the Nomination Committee during the year ended 31 December 2011, and this meeting was attended by all three members. During the meeting, the members reviewed and approved the proposal to separate the responsibilities of the Chairman and the CEO; discussed on the composition and size of the Board; and reviewed and agreed on the nomination of an additional non-executive director.

FINANCE COMMITTEE

During the year ended 31 December 2011, the directors who were members of the Finance Committee were Mr. Vincent H. S. LO, Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Mr. Louis H. W. WONG (retired with effect from 16 March 2011), Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN and Mr. Frankie Y. L. WONG (appointed with effect from 17 August 2011). Sir John R. H. BOND, Dr. William K. L. FUNG and Professor Gary C. BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. Vincent H. S. LO.

Four meetings were held by the Finance Committee during the year ended 31 December 2011, and the attendance records are set out as below:

Name of Committee Members	Attendance/Number of Meeting(s) Held during Tenure
Mr. Vincent H. S. LO (Chairman)	4/4
Mr. Freddy C. K. LEE	4/4
Mr. Daniel Y. K. WAN	4/4
Mr. Louis H. W. WONG (Retired with effect from 16 March 2011)	1/2
Mr. Frankie Y. L. WONG (Appointed with effect from 17 August 2011)	0/0
Sir John R. H. BOND	3/4
Dr. William K. L. FUNG	4/4
Professor Gary C. BIDDLE	4/4

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

During the year, major tasks of the Finance Committee included the setting and formulation of high-level financial policies and guidelines; reviews and approval of annual budgets, profit forecasts, financial plannings and results, and treasury updates; evaluations of proposals on fund raising, acquisition and disposal of material assets, reduction of gearing ratios, spin-off plans, and making recommendations to the Board on such matters.

RISK ASSESSMENT/ MANAGEMENT

Strategic Planning

A Three-Year Strategic Plan (the "Three-Year Plan") was formulated in the third quarter of 2009, covering the period of 2010 to 2012. The Three-Year Plan expedites the development of the Company especially in turning the Company into a more project-driven and decentralised organisation.

During the year ended 31 December 2011, strategic action plans were developed, executed, implemented and monitored by relevant executives and management to achieve these medium-term goals and objectives. The Company has also developed balanced scorecards for the Company, projects and departments to strengthen and measure the alignment of individual performance in attaining these goals and objectives. The formulation of the next Three-Year Strategic Plan was also started in the last quarter of 2011.

Resources Planning and Cost Control

During the year ended 31 December 2011, the Company's main focus on resources planning was the raising of funds through various means to expedite completion of the maturing projects as well as the taking up of new opportunities. This has been done successfully and enabling the Company to thrive on the chaotic market situation and withstand the economic turbulence period.

The Company continues to focus on managing costs in the short and long run, enhancing of the cost consciousness culture and behaviour of the Company, and reviewing and monitoring the Company's expenditure.

Enterprise Risk Management

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

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

INTERNAL CONTROL

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

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

INTERNAL AUDIT

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

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

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

ETHICAL CORPORATE CULTURE

The Company has in place various policies, including its Code of Conduct and Business Ethics, governing business ethics and best practices. The Company emphasises integrity as an important foundation of its corporate culture and a strategic choice, and leverages it as one of its competitive advantages. New staff have to go through an introduction to ethics in their orientation, and have to join an ethics training session conducted by a member of the Ethics Committee or from senior management upon completion of their probation. In early 2011, more than 40 designated staff were appointed as Ethics Experts of the Company, and underwent appropriate training by the ICAC of Hong Kong. Their mission is to further enhance the ethical awareness and standard of the Company through providing coaching and training to other staff. Training is developed with the assistance from the ICAC of Hong Kong, and four training sessions were delivered to staff during the last quarter of 2011 and early 2012.

Starting from 2011, before the end of each year, all managers and above, together with some selected staff, must complete an ethical e-course. Upon completion they have to make an on-line declaration of their commitment to abide by the Company's Code of Conduct and Business Ethics in all their business dealings on an annual basis.

ANTI-FRAUD MEASURES

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

On 25 February 2011, the Ethics Committee further issued an Irregularity Report Policy. This policy clarifies the Company's treatments and procedures on handling potential violations reported, but at the same time tries to avoid abuse by disgruntled employees or ex-employees. It was reviewed and adopted by the Audit Committee on 11 March 2011.

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

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

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

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

The statement of the external auditors of the Company about their reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on pages 127.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2011 is set out as follows:

Services rendered for the Company	Fee paid/payable (HK$ 'M)
Audit services:	5.6
Non-audit service:	6.1
Total:	11.7

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. The goal of our communication activities is to provide a true and fair view of the Company. A Shareholders' Communication Policy has been posted on the Company's website in February 2012 and is available to shareholders.

The Company has taken its own initiative to disclose price-sensitive information in a timely manner. Connected and major transactions have to be reviewed and assessed by either the Audit Committee or an independent board of the Board for such purposes before these are submitted to shareholders' meeting for approval and/or public disclosure.

The Company leverages various channels and platforms including its annual and interim results announcements, press conferences and analyst briefings, and various industry conferences to ensure the timely release of important messages. An electronic investors' newsletter is published quarterly to provide more timely and relevant information pertaining to the Company's business development including all its projects. In 2011, a number of "Investors and Analysts Day" were held in Shanghai, Wuhan and Chongqing to further enhance investors' understanding of the development progress of the Company's projects, as well as the market sentiment in these cities. In addition, investors and analysts are also frequently invited to the Company's marketing and promotional events to gain updated information. These initiatives are all well accepted by the investment community.

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

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

Major Investor Relations Events in 2011/2012

2011	Event
January	DB Access China Conference, Beijing DBS Vickers Pulse of Asia Conference, Singapore Nomura China Property Corporate Day, Hong Kong UBS Greater China Conference, Shanghai
March	2010 Annual Result Global Road Show, Hong Kong, United Kingdom, Amsterdam, the United States
April	2010 Annual Result Global Road Show, Singapore, Beijing, Shanghai BNP Paribas Corporate Day Access, Hong Kong DBS Corporate Day Access, Hong Kong
May	Macquarie Sydney Conference, Sydney CITI Asia Pacific Property Conference, Singapore Macquarie Asia Property Conference, Hong Kong Morgan Stanley HK Summit, Hong Kong The Euromoney RMB Forum, Hong Kong Investor Open Day, Shanghai, Chongqing, Wuhan
June	JP Morgan Conference, Beijing Nomura Corporate Access Day, Singapore Economist Conference, Shanghai Investors & Analysts Day for Shanghai THE HUB Hongqiao Tiandi, Shanghai
August	2011 Interim Result Global Road Show, Hong Kong, Singapore, Europe
September	CLSA Conference, Hong Kong UBS Hong Kong/China Property Conference, Hong Kong
October	HSBC Asian Property Seminar, Hong Kong BNP Paribas 18th Annual China Conference, Qingdao Open day to stock commentators from Hong Kong, Shanghai
November	BoAML Conference, Beijing Barclays Capital Investors Conference, Singapore Asia Pacific Summit by Morgan Stanley, Singapore CLSA Corporate Access Day, Hong Kong
December	RBS Property Corporate Access Day, Hong Kong

2012	Event
January	BNP Paribas Corporate Day Access, Hong Kong Nomura China Property Corporate Day, Hong Kong

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

To enhance communications with shareholders in the Company's Annual General Meetings, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Most of the Directors were present at the Annual General Meeting held on 19 May 2011 and the meeting provided a useful forum to exchange views with the Board.

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

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

SHAREHOLDER RIGHTS

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

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

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

AWARDS RECEIVED

With respect to the financial year ended 31 December 2011, the Company received several awards relating to corporate governance, communications with shareholders and investors, and investor relations. These are shown in the table on this page.

List of Awards to Shui On Land

Time of Award	Name of Award	Presented/Organised by
Corporate Governance Related		
May 2011	2011 TOP 50 Listed Real Estate Developers in China	China Real Estate Appraisal
June 2011	Corporate Governance Asia Recognition Awards 2011 – The Best of Asia 2011	Corporate Governance Asia
September 2011	China Outstanding Enterprises Award 2011	"Hong Kong Economic Digest" Magazine
December 2011	Hong Kong Corporate Governance Excellence Award 2011	The Chamber of Hong Kong Listed Companies
Communications with Shareholders and Investors/Investor Relations Related		
September 2011	Gold Award (Printing & Production – Real Estate Development/Service: Various & Multi-Use Category) Gold Award (Interior Design – Property Category) Silver Award (Cover Photo/Design – Real Estate Development/Service: Various & Multi-Use Category) Bronze Award (Chairman's Letter – Real Estate Development/Service: Various & Multi-Use Category)	ARC Awards 2011
December 2011	Silver Award (Annual Report: Real Estate Holding Co Category)	Galaxy Awards 2011

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but also about promoting and developing an ethical and healthy corporate culture. We are committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, integrity, accountability, sustainable development and independence. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. We have also experienced the trust of our shareholders, especially our minority shareholders, noting that they and the investment analyst community have lent the Company full support based on their recognition of our efforts to enhance corporate governance. All views and suggestions from our shareholders to promote our transparency are welcome.

EXHIBIT 1
Functions of the Board and Management

Functions of the Board

The Board is responsible for:

1. determining the overall strategy and approving the annual operating budget of the Company;
2. reviewing all significant policy matters of the Company, such as dividend policy and any major changes in accounting policy;
3. monitoring the performance of management to ensure that the business operations are properly planned, authorised and undertaken;
4. reviewing at least annually the effectiveness of the internal control system of the Company which shall cover all material controls, including financial, operational and compliance controls and risk management functions;
5. approving the Company's half-year report, annual report and accounts on the basis of any recommendations of the Audit Committee;
6. approving any material contracts and transactions (including financing transactions) subject to any powers and authorities as may be delegated to management by the Board from time to time;
7. subject to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), approving transactions in which a connected person (as defined in the Listing Rules) is considered to have a material conflict of interests;
8. approving any appointment (based on the nomination procedure and the process and criteria as adopted by the Board)/proposal for re-appointment of Directors of the Company, and appointment of the Chairmen and members of the Board's Committees, where appropriate;
9. considering the recommendations from the Remuneration Committee in respect of (a) the Company's policy and structure for all remuneration of the Directors and senior management and; (b) the remuneration of the Non-Executive Directors; and
10. exercising all such other powers that may only be exercised by the Board pursuant to The Companies Law (Cayman Islands) or Articles of Association of the Company, the Listing Rules and/or the Hong Kong Codes on Takeovers and Mergers and Share Repurchases.

Functions of the Management

The Board has delegated the day-to-day operational responsibility for the Company to the management.

EXHIBIT 2
Division of Responsibilities of Chairman and Chief Executive Officer ("CEO")

Role	Responsibilities
Chairman	The Chairman is responsible for leading the Board in setting the overall strategy and making major development decisions of the Company and monitoring their implementation, to ensure value creation for shareholders. He takes part in cultivating cordial relationship with strategic associates of the Company and creating a favourable environment for the development of the Company's business. As leader of the Board, the Chairman also assesses the development needs of the Board as a whole with a view to build its effectiveness as a team and developing the knowledge and expertise of individual Board members and future leaders of the Company. • To lead the Board to function as a world class governance body. • Develop effective working relationship with the CEO, including providing appropriate counsel and coaching. • Build and maintain positive working relationships of the Company with Government at senior level. • To act as a spokesperson for the Company on strategic and macro issues as required together with the CEO/CFO. • Provide advice to CEO and the senior management team when consulted on macro and strategic issues. • Continue to lead in master planning for up to or more than three years. • Will not take on executive role in the management of the Company. • Working with the CEO, ensure that the Board devotes sufficient energy to building the talent pipeline in the Company.

EXHIBIT 2 (CONTINUED)

Division of Responsibilities of Chairman and Chief Executive Officer ("CEO")

Role	Responsibilities
CEO	The CEO is responsible for the operations of the Company's businesses. He develops and works with the managing directors to achieve their business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board, including the building of a strong corporate culture within the Company. • Work closely with the Chairman to develop a sound and comprehensive development strategy for the Company and take overall responsibility for its execution and implementation, including undertaking business development activities, negotiating strategic partnerships, strategic resource allocation, acquisition and divestment initiatives. • Detect external changes and take corrective action. • Work effectively with the Chairman to keep the Board informed at all times and seek counsel and appropriate approvals of the Board, have the Board focus on the most important items, and provide critical information in useful form for the Board to digest and provide counsel on. • As CEO of the Company lead in proposing and setting the execution strategies and policies for effective implementation of the Company Board decisions. • Direct company-wide business planning, and ensure Project/Department Heads manage effectively and deliver good results against short and medium term goals and targets set by the Board of Directors. • Ensure the Company maintains financial viability and achieves its financial objectives and that its financial resources are allocated in accordance with set strategy and principles. • Ensure effective leadership development and succession planning for the continued availability of a highly competent and motivated senior management team committed to the goals, objectives and values of the Company. • Contribute towards a positive corporate image and favourable operating environment for the Company through overseeing investor relations, formulating corporate communications strategy, building government relations and ensuring regulatory compliance.

EXHIBIT 3

Duties of the Remuneration Committee

1. The duties of the Remuneration Committee shall include:

a. making recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy;

b. being responsible for determining the specific remuneration packages of all executive Directors and Senior Management and to make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and Senior Management, remuneration levels within the Group* and desirability of performance-based remuneration packages;

c. reviewing and approving any remuneration offered by the Group with reference to corporate goals and objectives resolved by the Board from time to time;

d. reviewing and approving the compensation payable to executive Directors and Senior Management in connection with any loss or termination of their office or appointment in order to ensure that such compensation is determined in accordance with the relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

e. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

f. ensuring that no Director or any of his associates is involved in deciding his own remuneration;

g. advising the Shareholders on how to vote with respect to any service contracts of the Directors that require Shareholders' approval under the Listing Rules; and

h. reviewing the Group's policy on expense reimbursements for the Directors and Senior Management.

2. In carrying out its duties under these terms of reference, the Remuneration Committee should:

a. consult the chairman of the Board and/or the chief executive officer about their proposals relating to the remuneration of the executive Directors;

b. provide the packages needed to attract, retain and motivate executive Directors of the quality required, but avoid paying more than is necessary for this purpose;

c. judge where to position the Group relative to other companies. They should be aware what comparable companies are paying and should take account of relative performance;

d. be sensitive to the wider scene, including pay and employment conditions within the Group and elsewhere, especially when determining annual salary increases;

e. ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors and are designed to align their interests with those of Shareholders and to give the Directors incentives to perform at the highest levels; and

f. ensure that share options offered by the Company to its Directors or Senior Management (if any) are in accordance with Chapter 17 of the Listing Rules, as applicable.

EXHIBIT 3 (CONTINUED)

Duties of the Remuneration Committee

3. Without prejudice to the generality of the terms of reference to the Remuneration Committee set out above, the Remuneration Committee shall:

a. operate the Company's share option schemes (if any) or other incentives schemes (if any) as they apply to, and recommend to the general meeting of shareholders grants of options to be made to Directors and/or Senior Management. It shall recommend to the Board the total aggregate amount of any grants to employees (with the specific grants to individuals to be at the discretion of the Board) and make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment);

b. liaise with the trustee of any employee share scheme which is created by the Company for the benefit of employees, Senior Management or Directors;

c. review the terms of executive Directors' service contracts from time to time; and

d. advise the Board in relation to the preparation of the Board's remuneration report (if any) to shareholders.

(* Group means Shui On Land Ltd and its subsidiaries and associated companies at the relevant time.)

EXHIBIT 4

Duties of the Audit Committee

The duties of the Audit Committee shall include:

1. Relationship with the Group's auditors

a. being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;

b. reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

c. developing and implementing policy on the engagement of an external auditor to supply non-audit services and reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

d. discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

e. discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Senior Management where necessary).

2. Review of financial information of the Group

a. monitoring integrity of the Group's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:-

   i. any changes in accounting policies and practices;

   ii. major judgmental areas;

   iii. significant adjustments resulting from audit;

   iv. the going concern assumptions and any qualifications;

   v. compliance with accounting standards; and

   vi. compliance with any requirements from the Stock Exchange and other legal requirements in relation to financial reporting;

b. in respect of (2.a) above:-

   i. liaising with the Board and Senior Management;

   ii. meeting, at least twice a year, with the Group's auditors; and

   iii. considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Group's qualified accountant, compliance officer or auditors.

EXHIBIT 4 (CONTINUED)

Duties of the Audit Committee

3. Oversight of the Group's financial reporting system and internal control procedures

a. reviewing the Group's financial controls, internal control and risk management systems;

b. discussing with Senior Management any matters in relation to the Group's internal control system and ensuring that Senior Management has discharged its duties in establishing and maintaining an effective internal control system;

c. considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and Senior Management's response to these findings;

d. where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring the effectiveness of the internal audit function;

e. reviewing the Group's financial and accounting policies and practices;

f. reviewing the external auditor's management letter, any material queries raised by the auditor to Senior Management in respect of the accounting records, financial accounts or systems of control and Senior Management's response;

g. ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

h. reporting to the Board on the matters set out in the terms of reference of the Audit Committee;

i. reviewing arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

j. acting as the key representative body for overseeing the Group's relationship with the external auditor; and

k. considering any other topics, as defined by the Board.

4. Corporate Governance Functions

a. developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

b. reviewing and monitoring the training and continuous professional development of Directors and Senior Management;

c. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

d. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e. reviewing the Company's compliance with the concurrent CG Code and disclosure in the Corporate Governance Report.

EXHIBIT 5

Duties of the Nomination Committee

The duties of the Nomination Committee shall include:

1. The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding any proposed changes to complement the Company's corporate strategy;
2. The Nomination Committee shall identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of, individuals nominated for directorship;
3. The Nomination Committee shall assess the independence of independent non-executive directors;
4. The Nomination Committee shall make recommendation to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer;
5. Where the Board proposes a resolution to elect an individual as an independent non-executive Director at a general meeting, the Nomination Committee shall set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent; and
6. The Nomination Committee shall exercise such other powers, authorities and discretions, and perform such other duties, of the Directors in relation to the nomination of directors as the Board may from time to time delegate to it, having regard to the concurrent CG Code.

CORPORATE SOCIAL RESPONSIBILITIES

At Shui On Land, we take our corporate social responsibility (CSR) very seriously, and CSR principles are conscientiously adhered to in all our projects and planning. At the same time, we aim to provide our valued customers with excellent products and services, offering them sustainable communities and comfortable living spaces.

COMMUNITY DEVELOPMENT

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

Nurturing Talent and Promoting Entrepreneurship

People are the fundamental moving force behind social and economic development. To support the long-term development of our society, we are committed to nurturing young people with talent and at the same time, encouraging them to be innovative.

In 2011 Shui On Land and Fudan University jointly developed a course for young entrepreneurs, whose aim is to sow the seeds of entrepreneurship in the hearts and minds of university students through a systematic, objective-based and contemporary curriculum. Resources from various avenues are also tapped to kindle the enterprising spirit of budding entrepreneurs, thereby igniting the birth and growth of new enterprises. Shui On has sponsored the initial amount of RMB3 million, and the remaining RMB3.6 million will be disbursed over the next two years. The sponsorship will mainly be used for hiring qualified personnel, teaching expenses and curriculum development.

Sponsored by the Knowledge and Innovation Community (KIC) and jointly organised with the Shanghai Technology Entrepreneurship for Graduates, a fund for technological innovation, the 2011 Global Entrepreneurship Week China KIC series of events was held in June 2011. Targeting startup enthusiasts, the events aimed to nurture young entrepreneurs. From contests between international teams to discussions with top entrepreneurs from China and overseas, the events offered participants a global outlook and a treasure trove of innovation experience. In the milieu of entrepreneurship and creativity so carefully moulded by KIC, investors and enterprises worked together for the thriving growth of China's innovators and entrepreneurs.

Promoting Growth with Cultural Exchange

Shui On Land's philosophy of "Growth through Culture" is best exemplified in the Group's promotion of diverse cultural exchanges around the world.

The Group was the title sponsor of the Shui On Land China Golf Challenge, which was held in 10-16 October 2011 in seven cities – Shanghai, Zhengzhou, Beijing, Dalian, Chongqing, Dongguan and Macau. With the participation of internationally renowned players like Lee Westwood, Ian Poulter, Rory McIlroy and Liang Wenchong, the Group hopes to promote the sport of golf in China. At the same time, the competition, which took players all over China, also presented the nation's modern golf facilities and its vibrant cities to the rest of the world.

To promote dancesport in China, the Group was the title sponsor of the "Shui On – Yongye Cup IDSF Grand Slam Finals 2011, the 8th China Shanghai International DanceSport Open Championships" for the sixth year running.

Promoting local traditions and cultures is also an important feature of Shui On's support for cultural conservation.

The Yalu-Xintiandi Cultural Development Fund was established in January 2011 in Shanghai Xintiandi with the aim of expanding the space for the growth of pingtan. The fund seeks to explore new models of supporting the development of this century-old art form.

To help with the continuation and promotion of Shanghai culture, the Group sponsored "The 10th Shanghai Regional Culture Conference" in October 2011, which featured a high-level panel of experts on Shanghai regional culture in Shanghai and specialists on historical building conservation. Chongqing Tiandi was the organiser of the "New Chongqing, New Women, New Tiandi" event, which highlighted the flair of the modern woman and the elegance of an internationalised Chongqing.

Shui On Land title sponsored the China Golf Challenge to promote sports and culture

In November 2011 Chongqing Tiandi sponsored the event to celebrate the 300th show of the Jiefangbei CBD Concert. This event provided a people's stage for artists who like performing in weekend concerts, allowing these arts and culture enthusiasts to sing and dance on a stage that truly belonged to the people. At the same time, these musical performances were an inspiration to love one's country and homeland.

Building Harmony Together: The Community's Caring Company

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

Concerned about the education conditions in remote regions of China, Xintiandi Style and the East Radio Love Foundation co-organised a charitable event on 7 September 2011 in Guang'an, Sichuan. The Guang'an Dongfang Elementary School received a donation of 25 computers and 300 children's books. The improvement in the school's environment will be of help in developing foundational education in Guang'an.

On 21 May 2011 Wuhan Tiandi co-organised a charity bazaar with Women of Wuhan (W.O.W), an expatriate women's group in the city, to raise funds for children in families afflicted with AIDS. Many tenants of Wuhan Tiandi and five-star hotels, including the Marco Polo Wuhan, took part in the bazaar and the day's proceeds were all donated to these children.

The 2011 Wuhan Tiandi and Hong Kong Porsche Club Charity Party was held on 30 September, during which funds were raised through lucky dips, sales and auctions. Together with donations from Wuhan Tiandi, the event raised RMB80,000 to support the 2011 Wuhan Tiandi's Student Scholarship of Shui On Land for the benefit of 16 needy undergraduates in the 2011 class of Wuhan University's College of Information Management.

2011 Wuhan Tiandi and Hong Kong Porsche Club Charity Party

In recent years, the Group's Wuhan Tiandi project has launched a series of thematic activities that aim to create, using a variety of ways, a healthy and safe environment for construction workers. To provide cultural and leisure activities for migrant workers, Wuhan Tiandi held a three-day open-air movie screening and a performance of the traditional theatrical art form Chu Opera. Wuhan Tiandi also gave cooling aids to construction workers who worked under the sweltering summer to help prevent heat strokes.

ACTION TO MAKE A DIFFERENCE BY THE SHUI ON SEAGULL CLUB

The Shui On Seagull Club, a volunteer group of Shui On employees, marked its seventh year in 2011. With "Action to make a difference" as its guiding mission, almost 1,200 Shui On volunteers made contributions to their communities during the year in Shanghai, Wuhan, Chongqing, Foshan, Dalian and other cities. The Shui On Seagull Club takes a special interest in children from poor families, the promotion of education and environmental awareness. The activities and events that it organises benefit directly those in need.

Shanghai

In May and October 2011, Shui On volunteers travelled to Anhui's Taihu County, where they visited the Taopu Elementary School and Haohan Elementary School in Xuqiao Township, Anqing City. The schools were offered financial support to provide students with access to information technology, including computers. They also helped set up libraries for the schools to make up for their lack of educational resources. A total of 316 students benefited from the project.

Shui On Seagull Club presented love and care to children in rural area

The Shui On Seagull Club continues to explore new forms of activities. In the spirit of caring and applying Shui On's expertise, the Shui On Seagull Club and Yolanda Hope Elementary School in Zhoupu Township started an "An Inside Look at Property" course series. Through games, case studies and practical activities, Shui On volunteers introduced students to the relationship between property and the environment, and the concept of environmental protection.

In October 2011 the Shui On Seagull Club, together with staff from Shui On's projects in Shanghai, Wuhan, Chongqing and Foshan, joined the employees of Shanghai Feng Cheng Property Management Co., Ltd. in charity walks in all four cities. At the same time, Shui On Land initiated a donation drive among our employees to contribute money amounting to an hour's wages. Some 700 employees took part and a total of RMB301,400.08 was collected. The entire sum of money was donated to the China Environmental Protection Foundation to help fund its project to protect the eco-system of the plains in the Qinghai-Tibetan Plateau.

Wuhan

In January and August of 2011, the Shui On Seagull Club, together with "Children of Madaifu", visited the orphans in Huangpi. Shui On volunteers sang, danced and played games with the children. They also gave them red packets and festive foods for the Chinese New Year, as well as clothes and pocket money. Most of all, they gave the orphans their love and care. "Children of Madaifu" is a multinational non-profit organisation that helps and rescues China's orphans, foundlings and vagrant children.

The Shui On Seagull Club also organised a choir comprised of homeowners of The Riverview, a Shui On Land development. The choir put up a charity performance in July 2011 at the Social Welfare Institution in Wuhan's Jiang'an District. It also helped improve the institution's resources by donating ten 32-inch television sets and 300 thermal cups.

In November 2011 the Shui On Seagull Club organised a collection of winter clothing and encouraged Shui On Land employees to make donations. The clothes collected were all distributed to the Qiaha Elementary School in Chira, a county in Xinjiang's He Tian Region, to help the students get through a cold winter.

Foshan

In January 2011 the Shui On Seagull Club, together with the Foshan Young Volunteers Society and the Yanghe Women's Federation, organised an event for single-parent families in Yanghe, a township located in Foshan's Gaoming District. Shui On volunteers spent a very pleasant day with single mothers and their children and presented them with Chinese New Year red packets.

Graffiti wall of "Lingnan Design Award 2011" at Foshan Lingnan Tiandi

In September 2011, the Shui On Seagull Club brought Mid-Autumn festive cheer to the Home for the Elderly in Foshan Shengping District, where they watched a Cantonese opera performance and ate mooncakes with the elderly residents.

Dalian

In September 2011 the Shui On Seagull Club visited the DALIAN Shine Sun Children Village, whose residents are children with parents serving jail sentences. The Shui On volunteers gave the children donations of money and clothing.

CUSTOMISED TRAINING FOR STAFF

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

Management Cadet (MC) Programme

This fast-track development programme was established in 2002 for internal staff with at least three years of employment experience, focusing on their potential for taking up core management positions, in an accelerated time frame. As of 31 December 2011, there were 18 Management Cadets, of which ten had completed the programme.

Functional Executive (FE) Programme

Established in 2009, the Functional Executive Programme is designed to develop professionals and managers eventually to take on senior functional positions. A customised training programme will be designed for each Functional Executive. As of December 2011, seven Functional Executives were in the programme.

Management Trainee (MT) Programme

Established in 1997, this programme aims to prepare fresh graduates to take up management positions. Under mentorship guidance, the trainees undergo a rigorous three-year training of personal development and management skills. The Group recruited four new members in 2011. As of 31 December 2011, nine were in the programme.

Graduate Trainee (GT) Programme

Aiming to develop fresh graduates to take up relevant professional positions in the Group, this programme provides industry-specific training, as well as teaching essential management techniques. The duration of the course varies for different professional streams. Throughout the programme, job rotation arrangements are made for each trainee, and a six to twelve months secondment to external professional institutions is also arranged where applicable. As of 31 December 2011, 40 graduate trainees were in the programme.

Summer Internship Programme

Established in 2001, the programme provides four to eight weeks of summer internship opportunities for university students from both the Hong Kong SAR and the Chinese Mainland. A total of 45 students joined this summer internship programme in 2011, of which 21 applied, while 13 were given the "Green Path" to obtain fast access to the management trainee or graduate trainee recruitment process.

SUSTAINABLE DEVELOPMENT

As a property developer with a strong sense of social responsibility, Shui On Land believes that sustainable development is the basis for the long-term growth of the Group and society.

Sustainability Practices Yield Tremendous Results

The Group issued its Sustainable Development Policy and set up the Sustainable Development Committee in 2006 to bring the sustainability concept to the forefront of our policy-making. Meeting regularly over the last five years, members of the Committee have laid down a series of measures for sustainable development and extended the concept to every aspect of project development. This has enhanced the environmental quality of our projects, providing a cleaner, more economically efficient and safer living and working environment for residents.

After five years of development and implementation, we have obtained very encouraging results in sustainable development, winning awards and accolades from both domestic and international agencies. In July 2011 the Group was among the ten recipients of the Top 10 CSR Case Award given by the Shanghai Association of Enterprises with Foreign Investment. This award is the association's highest CSR honour for firms with foreign investment. In December of the same year, the Group obtained the Green Management Award – Gold (Large Corporation) in the Green Council's Hong Kong Green Awards 2011 for the second year running. The Hong Kong Green Awards recognise corporations for their sustainable contributions to the environment and encourage industries to introduce more eco-friendly principles into their operations and management. The widely acclaimed awards attracted the participation of many well-known international companies and government departments this year. Given our long track record of environmental protection over the years, we came ahead of the competition again and won the award, further cementing Shui On Land's leading position in sustainable development.

At the project level, we have applied advanced eco-certification and standards like the BRE Environmental Assessment Method (BREEAM), Leadership in Energy and Environmental Design (LEED), Chinese Technical Standard for Performance Assessment of Residential Buildings and the Evaluation Standard for Green Building right from the planning stage. These standards are adhered to throughout the projects, from materials acquisition to the construction management and property management stages. After years of work, Shui On Land's developments have yielded extraordinary results. Lots 5, 7-7 and 7-9 of KIC were made Demonstration Projects for Energy Conservation and Emissions Reduction by the People's Government of Shanghai, Yangpu

District in March. In the same month, Lot B12-1/02 of Chongqing Tiandi was granted the LEED – Core & Shell Pre-certification Gold rating by the USGBC (U.S. Green Building Council). In May, Corporate Center 5 in Wuhan Tiandi received the LEED – Core & Shell Pre-certification Gold rating and in the same month, KIC office received the LEED – Commercial Interiors Gold rating. Foshan Lingnan Tiandi was conferred the LEED – Neighbourhood Development Pilot Version Stage 2 Gold rating (Pre-certification) in July. The following month in August, Lot D14 of Dalian Tiandi received the LEED – Core & Shell Pre-certification Gold rating and the month after that, Chongqing Tiandi Lot B3 received the LEED – Core & Shell Gold rating, as did Wuhan Tiandi Lot A4 in October. In December, Lots B12-3 and B12-4 of Chongqing Tiandi were given the LEED – Core & Shell Pre-certification Gold rating. In the same month, Lot 4 of Rui Hong Xin Cheng Phase 3 received a Chinese Green Building 2 Star rating from the Ministry of Housing and Urban-Rural Development of the People's Republic of China. This came one year after it received the same rating from the Shanghai Urban Construction and Communications Commission.

Quantitative System to Measure Results Scientifically

Low carbon emissions has become a strategy choice that is set to affect the future of humanity. Shui On Land also understands the effects of excessive greenhouse gases on the global environment. For these reasons, we have been in active liaison with members of the industry to establish uniform standards. In 2011 we developed a quantitative system to measure objectively the outcome of the Group's efforts in sustainable development based on eight criteria. The criteria cover the level of electricity, water and gas consumption, heating and cooling provided by the municipal authorities, indoor air quality, the use of refrigerants in fire extinguishers/refrigerators/air-conditioning, carbon emissions and the achievement of third-party green building certification. This system has now been extended to our Shanghai head office, as well as various project offices and worksite offices. The results produced will provide a reference point for subsequent policies on sustainable development.

Helping to contribute to a greener world, Shui On Land has been actively involved in building a rigorous greenhouse gas emissions audit and control system to lower carbon-based fuel consumption and carbon emissions as much as possible. After engaging an internationally recognised third party certification authority to measure the greenhouse gas emissions from the Group's office operations in 2010, we are now considering the expansion of the scope of our carbon audits. We are planning to conduct carbon audits on all the Group's projects to measure the effects of our sustainable development policies more accurately and objectively. The results of the audits will be used to formulate plans and measures to mitigate greenhouse gas emissions.

Optimising Resources and Lowering Energy Consumption

Making full use of resources is another goal in our sustainable development efforts. We have introduced into our projects new hi-tech features, such as solar thermal collectors, rainwater collection and recycling systems, centralised heating and cooling systems, water source heat pumps, photo voltaic lighting for landscaped areas and green walls with large areas. These features help save energy at the same time they reduce consumption. For example, the magnetic levitation chilling technology in Foshan Lingnan Tiandi operates on the principle of magnetic levitation chiller to effectively reduce the friction between the shafts of compressors, thereby reducing energy consumption. Moreover, the shafts in maglev compressors levitate as they turn, which reduces the use of lubricants. Not only does this save resources, it also reduces the use of oil pumps and energy consumption.

Hi-tech features are also introduced to reduce carbon emissions. Lots A1/2/3 in Wuhan Tiandi are the first development project to use the BREEAM green building rating scheme. Facilities like the water leakage detection system and food composting machines which enable the breakdown of organic waste generated by the project into carbon dioxide, steam, organic fertiliser and so on. The production of waste is reduced through recycling and reusing more resources.

At the same time, the Group attaches great importance to developing its own in-house R&D capability to look into the feasibility of applying new technologies to eco-friendly and sustainable development. In 2011 we continue to promote precast structure technology in our projects and Foshan Lingnan Tiandi is the first development in the city to make use of this technology. For this reason, Foshan Lingnan Tiandi has been invited to participate in the development of The Code for Precast Concrete Structures for Guangdong Province. As precast structures are all manufactured in factories before being transported to the worksites for installation, this method does not require the use of wood moulds, which saves the amount of wood used. It also greatly reduces environmental pollution at worksites. Houses built using precast structure technology are also better in quality, with a lower incidence of water seepage and cracking. This technology is already in use in the Group's KIC and Wuhan Tiandi. We plan to introduce the technology to Chongqing Tiandi in 2012.

In addition, the Group's Shanghai Feng Cheng Property Management Co., Ltd. is implementing various measures to reduce energy consumption and carbon emissions without affecting its service standards. Firstly, Feng Cheng is stepping up the control and management of equipment operation and optimising energy efficiency to reduce energy consumption. Among others, these measures include the adoption of energy-saving LED bulbs, the lubrication and regular overhaul of power machinery like water pumps and exhaust fans, and the upgrading of aging or under-performing facilities. Secondly, by holding activities and publicity events related to environmental protection, Feng Cheng raises the eco-awareness of its staff and clients, and encourages more people to contribute to a better environment. Our persistent effort has paid off. The power consumption in 2011 of the Group's Taipingqiao Project, Rui Hong Xin Cheng and KIC was reduced by 2.02 million kilowatt-hours compared to the previous year, saving the Group RMB1.5 million in electricity bills.

Green Procurement for Environmental Care

The Group continues to implement green procurement policies and requests all its suppliers to obtain the China Environmental Labelling Scheme certification for their wood-based panels, adhesives and paints. By communicating with our strategic partners, the Group has conveyed our sustainable development policies and obtained from them the promise to provide products that conform to the China Environmental Labelling Scheme or primary materials that are certified by the scheme. For example, the Group signed or renewed contracts with partners like Deman, Dr. Doors, Anyang, Richfame, Hongxing and Saint-Gobain in 2011 to guarantee compliance of their supplies like doors, floors and plaster with the scheme requirements. This is to ensure good indoor air quality and protect our customers' health. The China Environmental Labelling Scheme is currently the most authoritative environmental certification scheme in China. Products with the label indicate compliance with quality standards and environmental requirements during the production, application and handling processes. Compared to similar products, they are less toxic and harmful and save more resources.

Sharing Experience to Promote Development

Not only do we seek sustainable development for our own projects, we also realise that sustainable development depends on collective participation. Therefore, we take the initiative to share our experience with the rest of the industry and the public. We also sponsor and organise various charitable events on environmental protection to raise public awareness and contribute to society's progress.

A children's art competition was held at Rui Hong Xin Cheng in March with the theme "Why I like Rui Hong Xin Cheng". The event encouraged children to care for the environment and urged parents to protect the ecosystem, save energy and reduce waste together with their children. In the same month, Wuhan Tiandi and Greenville (Dalian Tiandi) took part in "Earth Hour", a global event of the World Wildlife Fund. In June, Wuhan Tiandi held a series of events marking World Environment Day, with four interactive activities: a green movie screening, a newspaper fashion show, an old battery recycling contest and a workshop on reuse. In the same month, the Group organised the Shui On Land 2011 Seminar with Partners, during which we shared and discussed the theme of "Strengthening Cooperation and Improving Product Quality". At the seminar, the Group briefed its partners on third party quality checks and the feedback on a strategic partnership questionnaire survey. We also launched the Quality Reward Scheme to strengthen cooperation with our partners. In the same month, the Group sponsored the International Construction Conference

The 2011 Earth Hour

Commitment to environment protection during the 2011 Earth Hour

and Construction Services Exhibition – Caring Construction, Collaborative Contracting, organised by Hong Kong's Lighthouse Club and delivered the keynote speech at the conference. In July, Rui Hong Xin Cheng held an activity on eco-friendly DIY arts and crafts to promote sustainability and environmentalism to residents. In the same month, the Sustainability & Ocean Ecology Exhibition Hall at Chongqing Tiandi was officially opened. Using backdrops, pictures, eco-friendly materials, games and interactive exhibits, the hall provides visitors with an overview of sustainable development. The hall is the only public venue combining the concepts of sustainable development and ocean ecology. In November Chongqing Tiandi donated RMB1 million to the 8th China (Chongqing) International Garden Expo, and designed and constructed the "International Advisors to the Mayor of Chongqing" installation.

Enthusiastic Participation by Everyone

Shui On Land firmly believes that sustainable development depends on the collective efforts of both management and staff. To encourage our employees to be eco-friendly and more environmentally conscious in their daily lives, we implement a "Green Office" policy and adjust indoor temperatures upwards. We also organise activities such as tree-planting, casual wear day, vegetarian food classes, quizzes on environmental protection and so on. We aim to create a safer and more energy efficient living and working environment, and our efforts have received enthusiastic response from our staff.

To make employees more aware of green issues, the Group also organises professional training courses. Examples are two sharing sessions on new QS eco-friendly materials and variable air volume (VAV) air-conditioning systems last year to introduce new green technology to our staff. In addition, the Group has invited well-known design firms to share with our design department the latest international and domestic architectural trends and requirement in sustainable development.

SUSTAINABLE DEVELOPMENT INITIATIVES

Corporate	Achieve/Target-Green Building Certification	Features
1. Shui On Land Ltd HQ – 26/F, Shui On Plaza	Achieved LEED-Commercial Interiors Silver rating	CO_2 sensor to increase indoor air quality; daylight sensors; addition of task lights; water conserving sanitary fixtures.
2. Shui On Land Ltd HQ – 25/F, Shui On Plaza	Achieved LEED- Commercial Interiors Silver rating	
3. KIC Office	Achieved LEED- Commercial Interiors Gold rating	Lighting power and lighting controls; double Low-E glazing window with thermal break; water saving sanitary fittings; HVAC zoning controls; low emitting materials; materials reuse; thermal comfort design; long-term commitment.
Projects – Master Planning stage	**Achieve/Target-Green Building Certification**	**Features**
1. Wuhan	Achieved LEED-Neighborhood Development Pilot Version Stage 2 Gold rating (Pre-certification)	Energy, water and waste savings by mixing land uses, connecting to public transit systems, utilizing existing cultural and architectural characteristics, building at appropriate densities and orienting the development to maximise solar and wind access; district-wide infrastructure, including centralised heating and cooling, water source heat pumps, rainwater collection and recycling, and comprehensive green roof systems.
2. Chongqing	Achieved LEED-Neighborhood Development Pilot Version Stage 2 Gold rating (Pre-certification)	
3. Dalian	Registered for LEED-Neighborhood Development Pilot Version	Encourage use of public transit systems and appropriate development densities to preserve the unique natural environment; orient buildings to maximise natural wind ventilation to mitigate temperature extremes; use of solar and wind energy for solar hot water system and wind turbines, non-potable rainwater system, grey water recycling and green roof; carbon assessment for master plan, encourage low carbon life style.
4. Foshan	Achieved LEED-Neighborhood Development Pilot Version Stage 2 Gold rating (Pre-certification)	City core site selection with high existing development density and small pedestrian-friendly blocks; preservation and adaptive reuse of 22 heritage architecture sites and numerous historic buildings; integrated public transport systems; improved indoor air quality through building orientation and wind harvesting; high performance building fabric; reuse and recycling of project construction materials; use of solar energy and daylight, centralised air conditioning; green roof and green wall, rainwater recycling; carbon assessment for master plan, encourage low carbon life style.
5. Rui Hong Xin Cheng	Registered for LEED-Neighborhood Development Pilot Version	located in a dense urban area; extending the street scale and the context of the original community, with a reasonable street scale and a compact development, to save the rare land resources of downtown and improve the added value of the land; mixed develop land uses, creating a distinctive and multi-function integrated community; encouraging alternative trip model by transit vehicle, walkable street and pedestrian system, all of them will also be integrated into road design and transport system; connecting the community public centre and the urban public transportation system through the pedestrian system, to bring an accessible and convenient environment, and reducing the transportation carbon emissions at the same time; adopt enhanced exterior wall thermal insulation, energy-efficient municipal infrastructure and lighting equipment, at least level II energy efficient air conditioning and water heat equipment, etc. to maximise the reduction of the energy consumption; adopt grey water reuse, high-efficiency irrigation, water efficient plumbing fixtures, etc. to save and optimise the utilisation of water resources; adopt green roof, exterior landscape and open space optimisation, to improve the both indoor and outdoor environments and air quality, and minimise the heat island effect; encourage waste separation and adopt waste recycling strategy to minimise the environment impact of waste disposal; use a carbon footprint assessment to assess and encourage a low carbon development.
Projects – Development stage	**Achieve/Target-Green Building Certification**	**Features**
1. Wuhan Tiandi Lot A4, Wuhan (Entertainment & Retail)	Achieved LEED-Core & Shell Certification Gold rating	Outdoor radiant cooling/heating; outdoor spot cooling/heating; rain water collection & recycling; green roof; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water saving sanitary fittings.
2. Wuhan Tiandi Lot A5, Wuhan (Office)	Achieved LEED-Core & Shell Pre-certification Gold rating	Increased green ratio; high performance glass curtain wall; low-flow plumbing fixtures and water saving fittings; low-emitting materials/finishes; high performance HVAC system.
3. Wuhan Tiandi Lots A1/2/3, Wuhan (Office & Hotel & Retail)	Registered for BREEAM – "Very Good" Level	Water leakage detection, food composting, energy wheel, CO_2 sensor control; day-lighting sensor for atrium, double Low-E coated window glazing, occupancy sensor in back of house area, recycling and local material utilisation.
4. Chongqing Tiandi Lot B3, Chongqing (Entertainment & Retail)	Achieved LEED-Core & Shell Certification Gold rating	Outdoor radiant cooling; water source heat pump; rainwater collection & recycling; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water saving sanitary fittings.

Projects – Development stage	Achieve/Target-Green Building Certification	Features
5. Chongqing Tiandi Lot B11, Chongqing (Office; Hotel & Retail)	Achieved LEED-Core & Shell Pre-certification Gold rating	High performance glass curtain wall; high efficiency HVAC system with variable primary flow system; CO_2 sensors; daylight control; occupancy sensors; heat recovery; high performance lighting with low LPD; 40% reduction in potable water use.
6. Chongqing Tiandi Lot B12, Chongqing (Office & Retail)	Achieved LEED-Core & Shell Pre-certification Gold rating	High efficiency chillers and boilers; high efficiency pumps and fans; high performance envelop; water saving sanitary fittings; native plant species and no irrigation; rainwater collection and recycling; recyclable storage; recycling and local material utilization; green roof; occupancy sensors; daylight sensors; low emitting material.
7. Chongqing Tiandi Lot B13, Chongqing (Office & Retail)	Target to achieve LEED-Core & Shell Certification Gold rating	Rainwater collection and recycling; water saving fixtures; green roof; native plant species and no irrigation; recyclable storage; high performance envelop; high efficiency chillers and boilers; occupancy sensors; daylight sensors; high efficiency pumps and fans; low emitting material.
8. Taipingqiao Lots 126/127, Shanghai (Office & Retail)	Achieved LEED-Core & Shell Pre-certification Gold rating	High efficiency HVAC system; improved indoor air quality with CO_2 sensor; low-flow plumbing fixtures and water saving sanitary fittings; high performance curtain wall with shading devices; light pollution reduction; low-emitting material (low VOC) finishes.
9. Rui Hong Xin Cheng Lot 4, Shanghai (Residential & Retail)	Achieved Chinese Green Building 2 Star rating. 15 Nov 2010, awarded allowance from Shanghai Government as an energy-saving housing project	External wall insulation, grey water collection & recycling; photo voltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated glazing window with thermal break; water saving sanitary fittings.
10. Rui Hong Xin Cheng Lot 6, Shanghai (Residential & Retail)	Target to achieve Chinese Green Building 2 Star rating	External wall insulation; grey water collection & recycling; photo voltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated window glazing with thermal break and water saving sanitary fittings.
11. Rui Hong Xin Cheng Lot 3, Shanghai (Retail)	Registered for LEED-Core & Shell Certification, targeting to achieve Gold rating; Target to achieve Chinese Green Building 1 Star rating	Green roof; low water saving sanitary fittings; rainwater collection and recycling; high efficiency HVAC system; LED lighting; curtain wall design with low light pollution.
12. Rui Hong Xin Cheng Lot 10, Shanghai (Retail)	Target to achieve LEED-Core & Shell Certification Gold rating; Target to achieve Chinese Green Building 2 Star rating	Green roof; low water saving sanitary fittings; rainwater collection and recycling; high efficiency HVAC system; LED lighting; curtain wall design with low light pollution.
13. KIC Plaza Phase II, Shanghai (Office)	Achieved LEED-Core & Shell Pre-certification Silver rating	Double Low-E coated glazing; low-emitting materials; improved indoor air quality with CO_2 sensor; low-flow plumbing fixtures and water saving sanitary fittings.
14. KIC Lots 5-5/5-7/5-8, Shanghai (Office)	Achieved LEED Core & Shell Pre-certification Gold rating	Double Low-E coated glazing; low emitting materials; low-flow plumbing fixtures and water saving sanitary fittings; hybrid ventilation; daylight control & occupancy sensor; high performance chillers; heat recovery; rain water recovery.
15. KIC Village Phase II, Lots 7-7/7-9, Shanghai (Office & Residential)	Achieved Chinese Green Building 2 Star rating	External wall insulation; rainwater collection & recycling; photo voltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated glazing window with thermal break; water saving sanitary fittings.
16. Dalian Tiandi Aspen and Maple Towers, Site D22, Dalian	Achieved LEED Core & Shell Pre-certification Gold rating	Preferred parking for Low-E and fuel-efficient vehicles; parking for bicycle; green roof; reuse rainwater and grey-water; water-saving sanitary; building commissioning; environmental friendly refrigerant; solar hot water; solar lamp; external wall insulation; Low-E tempered glass; fresh air heat recovery; recycling materials; regional materials; Low-E materials.
17. Dalian Tiandi Site D14, Dalian	Achieved LEED Core & Shell Pre-certification Gold rating	Preferred parking for Low-E and fuel-efficient vehicles; green roof; reuse rainwater and grey water; water-saving sanitary; building commissioning; environmental friendly refrigerant; solar hot water; solar lamp; external wall insulation; Low-E tempered glass; fresh air heat recovery; recycling materials; regional materials; Low-Emitting materials.
18. THE HUB Lot D17, Shanghai (Office & Hotel & Retail)	Registered for LEED-Core & Shell Pre-certification, targeting to achieve Gold rating; Target to achieve Chinese Green Building 3 Star rating(for Office& Retail); Target to achieve Chinese Green Building 2 Star rating(for Hotel)	Rainwater/reclaimed water collection and recycling; façade shading system; solar hot water; green roof; water saving landscape irrigation; combined cooling heating and power; nature ventilation; nature daylight; indoor air quality sensors; high efficiency lighting; hot recovery; water saving sanitary fittings; Low-E glazing window; Low-Emitting material; recycling and local material utilisation.
19. THE HUB Lot D19, Shanghai (Office & Retail & Exhibition)	Registered for LEED-Core & Shell Pre-certification, targeting to achieve Silver rating; Target to achieve Chinese Green Building 3 Star rating(for Office& Exhibition); Target to achieve Chinese Green Building 2 Star rating(for Retail)	Rainwater/reclaimed water collection and recycling; façade shading system; solar hot water; green roof; water saving landscape irrigation; combined cooling heating and power; nature ventilation; nature daylight; indoor air quality sensors; high efficiency lighting; hot recovery; water saving sanitary fittings; Low-E glazing window; Low-Emitting material; recycling and local material utilisation.
20. Foshan Lingnan Tiandi Lot 4, Foshan (Residential & Retail)	Achieved Green Community Certification of Guangdong Province	Double Low-E Glazing; water saving sanitary; LED lighting; day lighting; rain water/grey water collection and recycling; water saving landscape irrigation.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

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

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

Mr. Lo was honoured with the "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Category. He was also awarded the Gold Bauhinia Star (GBS) in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR). Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011.

He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005.

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

Mr. Freddy C. K. LEE

aged 50, is the Managing Director and Chief Executive Officer of the Company. Mr. Lee joined the Shui On Group in 1986 and has over 17 years of working experience in construction management and 11 years of working experience in property development in the People's Republic of China. Besides being responsible for the operations and management of the Company, Mr. Lee is also responsible for the implementation of the Company's Three-Year Plan. Mr. Lee holds a Master's degree in Construction Management from the City University of Hong Kong and a Bachelor's degree in Quantity Surveying from Reading University, England. Mr. Lee is currently a member of the Royal Institution of Chartered Surveyors in the United Kingdom and a member of the Hong Kong Institute of Surveyors.

Mr. Vincent H. S. LO

Mr. Freddy C. K. LEE

Mr. Daniel Y. K. WAN

Mr. Daniel Y. K. WAN

aged 53, is the Managing Director and Chief Financial Officer of the Company responsible for all aspects relating to our finance and accounting, legal, company secretarial and information technology affairs. He is also responsible for the day to day management of the Company together with the other senior executives. Mr. Wan joined the Company in March 2009. He has extensive experience in the financial industry with over 20 years in senior management position. Prior to joining the Company, Mr. Wan was the General Manager and Group Chief Financial Officer of The Bank of East Asia, Ltd.

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

Non-executive Director

Mr. Frankie Y. L. WONG

aged 63, has been appointed as a Non-executive Director of the Company since 17 August 2011 and is Non-executive Director of SOCAM. He was the Vice Chairman of SOCAM from 1997 to 2004 and from April 2010 to August 2011 and the Chief Executive Officer of SOCAM from July 2004 to March 2010. Mr. Wong joined the Shui On Group in 1981. He was a Director of the Company from May 2004 to May 2006 prior to the listing of the Company on The Stock Exchange of Hong Kong Limited in October 2006. He is also one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and The University of Lancaster in the United Kingdom respectively. Mr. Wong is currently an Independent Non-executive Director of Solomon Systech (International) Limited, which is listed in Hong Kong, and a Non-executive Director of Walcom Group Limited, a company listed on the Alternative Investment Market of the London Stock Exchange plc.

Mr. Frankie Y. L. WONG

Sir John R. H. BOND

Dr. William K. L. FUNG

Independent Non-executive Directors

Sir John R. H. BOND

aged 70, has served as an Independent Non-executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings plc and was with HSBC from 1961 until May 2006. He was the Chairman of Vodafone Group Plc until 26 July 2011. He is currently the Chairman of Xstrata plc, a Non-executive Director of A. P. Moller Maersk and an Advisory Director of Northern Trust Corporation. He is also a member of the Mayor of Shanghai's International Business Leaders' Advisory Council, a participant in the China Development Forum, a member of the International Advisory Board to the Tsinghua University School of Economics and Management and a member of the Mitsubishi International Advisory Committee.

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

aged 63, has served as an Independent Non-executive Director of our Company since May 2006. Dr. Fung is Executive Deputy Chairman of Li & Fung Limited and has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce, Hong Kong Exporters' Association and the Pacific Economic Cooperation Committee. He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Dr. Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred Honorary Doctorate degrees of Business Administration by Hong Kong University of Science and Technology and by the Hong Kong Polytechnic University. Dr. Fung is an Independent Non-executive Director of VTech Holdings Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited and an Independent Director of Singapore Airlines Limited. He is also a Non-executive Director of other listed Li & Fung group companies including Convenience Retail Asia Limited and Trinity Limited. He is a director of the Fung Global Institute, an independent and non-profit think-tank that generates and disseminates innovative thinking and business-relevant research on global issues from Asia perspectives.

Professor Gary C. BIDDLE

aged 60, has served as an Independent Non-executive Director of our Company since May 2006. Professor Gary Biddle is PCCW Chair Professor of Accounting at the University of Hong Kong. He obtained his MBA and Ph.D. degrees from the University of Chicago. He has served as professor at University of Chicago, University of Washington, as Dean at University of Hong Kong and as Associate Dean at Hong Kong University of Science and Technology, where he also was a member of the Council, Court, Senate and held the title of Synergis-Geoffrey Yeh Chair Professor. Professor Biddle also teaches at Columbia Business School (New York), London Business School (London) and Fudan University (Shanghai). Professor Biddle is a member of the American Accounting Association, American Institute of Certified Public Accountants, Hong Kong Business and

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Mr. David J. SHAW

Professionals Federation, Hong Kong Institute of Certified Public Accountants and Hong Kong Institute of Directors. Professor Biddle first visited China in 1984 and made Hong Kong home in 1996. He is a leading expert in financial accounting, economic forecasting, value creation, valuation, corporate governance and performance metrics. His research appears in the premier academic journals globally and financial publications including the Economist, South China Morning Post and Wall Street Journal. Professor Biddle also serves as Independent Non-executive Director of Kingdee International Software Group Company Limited and chairs the remuneration committee of closely-held Chinachem Group.

Dr. Roger L. McCARTHY

aged 63, has served as an Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is currently the principal of McCarthy Engineering. He was formerly Chairman Emeritus of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou)(毅博科技諮詢(杭州)有限公司), a wholly owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is one of approximately 165 US Mechanical Engineers elected to the National Academy of Engineering. He currently serves on the External Advisory Boards of the Department of Mechanical Engineering at the University of Michigan, and he delivered the 2008 commencement address for the University of Michigan's College of Engineering. He is currently a member of the US National Academies Panel on Air and Ground Vehicle Technology.

Mr. David J. SHAW

aged 65, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw is employed by the HSBC Group as Adviser to the Board of HSBC Holdings plc, a London-based appointment which he took up in June 1998. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is a Non-executive Director of HSBC Private Banking Holdings (Suisse) SA, HSBC Private Bank (Suisse) SA and HSBC Bank Bermuda Limited of which are companies within the HSBC Group. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

SENIOR MANAGEMENT

Mr. TANG Ka Wah

aged 52, is Director – Chongqing and is also an Executive Director of Shui On Development Limited. He is responsible for all aspects of our project in Chongqing. He joined the Shui On Group in 1985 and has over 26 years of working experience in the construction industry. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers. Mr. Tang is a chartered engineer. He holds a Bachelor's degree in Engineering from The University of Hong Kong and a Master's degree in Business Administration – E-Commerce from the West Coast Institute of Management & Technology, West Australia.

Mr. Charles W. M. CHAN

aged 56, is an Executive Director of Shui On Development Limited ("SOD"), Project Director – KIC Project as well as the Executive Director of Dalian Software Park Shui On Development Ltd. He leads the Dalian Tiandi project and Shanghai KIC project and works closely with other directors of SOD on the overall management and development of SOD. He joined the Shui On Group in January 2004. Prior to joining our Company, Mr. Chan was Deputy Managing Director of Frasers Property (China) Limited, Executive Director of SunCorp Technologies Limited, Vice President of Citibank N.A. and Manager of PricewaterhouseCoopers. He is a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in Australia. Mr. Chan holds a Bachelor's degree in Economics from the University of Sydney.

Mr. Albert K. B. CHAN

aged 52, is the Director of Development Planning and Design. Mr. Chan joined Shui On in 1997, and has more than 25 years of experience in planning, design and real estate development. Mr. Chan manages the conceptualization, site feasibility studies, masterplanning and design of developments for the Company. From 1997 to 2001, he led the planning and design effort for the Shanghai Xintiandi development. He also focuses on mixed-use development, new product development, product standardization efforts, and chairs the Sustainable Development Committee of the Company.

Prior to joining Shui On, Mr. Chan worked at the New York City Department of Design and Construction and at Cooper, Robertson + Partners. Mr. Chan holds a Bachelor's degree in Architectural Design from the University of Minnesota, a Master's degree in Architecture from the University of California, Berkeley, and a Master's degree in Science in Architecture and Urban Design from Columbia University. He also holds an MBA from New York University. He is a Registered Architect of New York State, an associate member of the American Institute of Architects, a member of the American Planning Association, a member of the Urban Land Institute ("ULI") and juror of the ULI Award of Excellence.

Mr. UY Kim Lun

aged 48, is Director of Legal Affairs and Company Secretary of our Company. He joined our Company in 2005 and is responsible for the legal, company secretarial and compliance issues of our Company. Mr. Uy holds a Bachelor's degree, with honours, in Laws and a Postgraduate Certificate in Laws from The University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 20 years of post-qualification experience and has worked in the legal departments of several blue-chip companies in Hong Kong before joining our Company.

Mr. Bryan K. W. CHAN

aged 37, is currently the Project Director for THE HUB. He is fully in charge of the Group's mixed used development project adjacent to the Hongqiao Transportation Hub in Hongqiao, Shanghai. Mr. Chan joined the Company in February 2009 as Director of Corporate Development. Prior to joining our Company, Mr. Chan had been an adviser to the Commercial Division of the Company and has extensive experience in both retail and real estate industries. Mr. Chan received a Bachelor of Arts degree in Economics from Northwestern University and a Master's of Accounting degree from the University of Southern California. He is a member of the Urban Land Institute (ULI), International Council of Shopping Centers (ICSC), Shanghai Youth Federation and Shanghai Youth Entrepreneurs Association.

Ms. Jessica Y. WANG

aged 37, is currently the Project Director for the Rui Hong Xin Cheng project. She is responsible for all aspects of our project in Rui Hong Xin Cheng, Shanghai. Ms. Wang joined the Group in August 1997 and has over 17 years of working experience in the property development industry in PRC. Prior to joining the Group, Ms Wang was engaged in sales & marketing in one of the well-known real estate company. Ms. Wang received a Bachelor of Engineering degree in Shanghai University of Technology. Ms. Wang has completed the courses of Executive Master of Business Administration of Real Estate (EMBA) jointly organized by Shanghai Fudan University and Hong Kong University and the China New Entrepreneur Development Program in Center for Sustainable Development and Global Competitiveness in Stanford University. Ms. Wang is a member of Hong Kou District Political Consultative Committee, Chairman of Hong Kou District Association of Enterprises with Foreign Investment, Director of Shanghai Federation of Industry & Commerce Real Estate Chamber of Commerce, Vice Chairman of Hong Kou District non-Party Intellectuals Association, Chairman of Hong Kou District Overseas Returned Entrepreneurs Association, Director of Hong Kou District Overseas Chinese Friendship Association and a member of Hong Kou District Youth Entrepreneurs Association.

Mr. Matthew Q. GUO

aged 37, is currently the Project Director for the Wuhan project. He is responsible for all aspects of our Wuhan Tiandi project. Mr. Guo joined the Group in 1997 and has over 14 years of working experience in the property development industry in the PRC. In addition to the Wuhan Tiandi project, Mr. Guo was involved in other projects of the Group including Shanghai Xintiandi, Taipingqiao Park, The Lakeville Phase I and the Yangpu Knowledge and Innovation Community project in Shanghai. Mr. Guo holds a Bachelor's degree in Urban Planning from the Tongji University.

Mr. Alex H. M. WONG

aged 56, is currently the Project Director for the Foshan project. He is responsible for all aspects of this large scale city centre redevelopment project in Foshan, Guangdong. Mr. Wong initially joined the Group in 1978, left in 1994 and rejoined in 2008. Mr. Wong has over 30 years working experience in the property development and construction industry in the PRC and Hong Kong. Mr. Wong holds a Bachelor of Applied Science Degree from the University of Toronto, Canada.

Mr. Raphael S. P. PUI

Aged 49, is Director – Commercial Chongqing project/Wuhan project. He is responsible for the Sales & Marketing function of the Chongqing project and Wuhan project. He joined our Company in 2004 and has over 23 years of working experience in real estate industry. Prior to joining our Company, Mr. Pui took the management role in the asset management function at American International Assurance Co. Ltd., and The HongKong and Shanghai Hotels, Ltd. Mr. Pui holds bachelor degree of Business Administration at University of Texas at Austin.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries, associates and jointly controlled entities are set out in notes 46, 17 and 18 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 128.

An interim dividend of HK$0.025 per share was paid to the shareholders on 18 October 2011.

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting (the "AGM") the payment of a final dividend of HK$0.10 per share for the year ended 31 December 2011 (2010: HK$0.05 per share), amounting to approximately RMB473 million (2010: RMB220 million) in aggregate, to shareholders whose names appear on the register of members of the Company on 13 June 2012.

Shareholders will be given the option to receive the final dividend in new shares in lieu of cash (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the AGM; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Scheme will be dispatched to shareholders together with the form of election for scrip dividend as soon as practicable after the AGM. Dividend warrants and share certificates in respect of the proposed final dividend are expected to be dispatched to shareholders on or about 18 July 2012.

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of share capital of the Company during the year ended 31 December 2011 are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as of 31 December 2011 were RMB11,029 million (2010: RMB11,200 million).

DIRECTORS

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

Executive Directors:
Mr. Vincent H. S. LO
Mr. Freddy C. K. LEE
Mr. Daniel Y. K. WAN
Mr. Louis H. W. WONG (retired on 16 March 2011)

Non-executive Directors:
Mr. Frankie Y. L. WONG (appointed on 17 August 2011)
Mr. LEUNG Chun Ying (resigned on 31 December 2011)

Independent Non-executive Directors:
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Dr. Edgar W. K. CHENG (resigned on 3 November 2011)

In accordance with the provisions of the Company's Articles of Association, Dr. William K. L. FUNG, Professor Gary C. BIDDLE and Mr. David J. SHAW will retire by rotation at the AGM and being eligible, will offer themselves for re-election; and Mr. Frankie Y. L. WONG, appointed as a Non-executive Director of the Company on 17 August 2011, will retire at the AGM and being eligible, will offer himself for re-election.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long position in the shares and the underlying shares of the Company

Name of Directors	Number of ordinary shares: Personal interests	Number of ordinary shares: Family interests	Number of ordinary shares: Other interests	Interests in the underlying shares: Share options (Note 4)	Interests in the underlying shares: Other equity derivatives	Total	Approximate percentage of interests to the issued share capital of the Company (Note 6)
Mr. Vincent H. S. LO	–	1,333,430 (Note 1)	3,266,796,897 (Note 2)	–	276,182,711 (Note 5)	3,544,313,038	68.00%
Mr. Freddy C. K. LEE	286,000	208,500 (Note 3)	–	5,077,338 (Note 3)	–	5,571,838	0.10%
Dr. William K. L. FUNG	4,133,593	–	–	–	–	4,133,593	0.08%
Sir John R. H. BOND	–	–	–	500,000	–	500,000	0.01%
Professor Gary C. BIDDLE	220,000	–	–	500,000	–	720,000	0.01%
Dr. Roger L. McCARTHY	–	–	–	500,000	–	500,000	0.01%
Mr. David J. SHAW	–	–	–	500,000	–	500,000	0.01%

Notes:

(1) These shares were beneficially owned by Ms. Loletta CHU ("Mrs. Lo"), the spouse of Mr. Vincent H. S. LO ("Mr. Lo"). Mr. Lo was deemed to be interested in such shares under Part XV of the SFO.

(2) These shares were beneficially owned by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,411,712,352 shares, 1,717,614,889 shares and 137,469,656 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI") and New Rainbow Investments Limited ("NRI") respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO. The 1,717,614,889 shares held by SOI include SOI's interests in 613,529,412 shares which were issued by the Company on 16 March 2012, subsequent to the year end, as initial consideration upon completion of the transactions (including the sale and purchase of the entire issued share capital of Rimmer Investments Limited and 66.7% of the entire issued share capital of Magic Garden Investments Limited) under the agreement dated 9 September 2011 amongst Rich Bright Holdings Limited (an indirect wholly-owned subsidiary of the Company), Cassidy Enterprises Corp. (an indirect wholly-owned subsidiary of SOI) and SOI (the "Transactions"). Details of the Transactions are set out in the circular of the Company dated 6 October 2011.

(3) Mr. Freddy C. K. LEE was deemed to be interested in 208,500 shares and 946,218 share options held by his spouse under Part XV of the SFO.

(4) These represent the interests of share options granted to the Directors and/or their respective associate(s) under the share option scheme adopted by the Company on 8 June 2007 to subscribe for shares.

(5) Chester International Cayman Limited ("Chester International") was taken to be interested in 276,182,711 shares as a result of the equity swap transactions entered into between Chester International as equity swap receiver and Standard Chartered Bank, Singapore Branch as equity swap payer on 7 September 2010 and 8 September 2010 respectively. Chester International is a direct wholly-owned subsidiary of SOI. Accordingly, Mr. Lo was deemed to be interested in such shares under Part XV of the SFO.

(6) These percentages have been compiled based on the total number of issued shares (i.e. 5,211,587,981 shares) at 31 December 2011.

(b) Interests in the debentures of the Company

Name of Director	Nature of Interests	Amount of Debentures
Dr. William K. L. FUNG	Interest of controlled corporation	RMB12,700,000

(c) Interests in the debentures of the associated corporation of the Company

Name of Director	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal	RMB5,000,000

Save as disclosed above, at 31 December 2011, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 31 December 2011, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests in the Company (Note 6)
Mrs. Lo	Family and Personal	3,544,313,038 (L) (Notes 1, 3 & 4)	68.00%
HSBC Trustee	Trustee	3,542,979,608 (L) (Notes 2, 3 & 4) 613,529,412 (S) (Notes 2, 3 & 4)	67.98% 11.77%
Bosrich	Trustee	3,542,979,608 (L) (Notes 2, 3 & 4)	67.98%
SOCL	Interests of Controlled Corporation	3,542,979,608 (L) (Notes 2, 3 & 4)	67.98%
Chester International	Beneficial Owner	276,182,711 (L)	5.30%
Standard Chartered PLC	Interests of Controlled Corporation	276,550,853 (L) 283,182,711 (S) (Notes 4 & 5)	5.31% 5.43%

Notes:

(1) In respect of such shares, 3,268,130,327 shares were comprised of 1,333,430 shares beneficially held by Mrs. Lo and 3,266,796,897 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 3,266,796,897 shares under Part XV of the SFO.

(2) In respect of such shares in the long position, 3,266,796,897 shares were beneficially owned by SOCL through its controlled corporations, comprising 1,411,712,352 shares, 1,717,614,889 shares and 137,469,656 shares held by SOP, SOI and NRI respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC Trustee is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO. The 1,717,614,889 shares held by SOI include SOI's interests in 613,529,412 shares which were issued by the Company on 16 March 2012, subsequent to the year end, as initial consideration upon completion of the transactions (including the sale and purchase of the entire issued share capital of Rimmer Investments Limited and 66.7% of the entire issued share capital of Magic Garden Investments Limited) under the agreement dated 9 September 2011 amongst Rich Bright Holdings Limited (an indirect wholly-owned subsidiary of the Company), Cassidy Enterprises Corp. (an indirect wholly-owned subsidiary of SOI) and SOI, (the "Transactions"). Details of The Transactions are set out in the circular of the Company dated 6 October 2011.

(3) Chester International was taken to be interested in 276,182,711 shares as a result of the equity swap transactions entered into between Chester International as equity swap receiver and Standard Chartered Bank, Singapore Branch as equity swap payer on 7 September 2010 and 8 September 2010 respectively. Chester International is a direct wholly-owned subsidiary of SOI. Accordingly, each of Mrs. Lo, HSBC Trustee, Bosrich and SOCL was deemed to be interested in such shares under Part XV of the SFO.

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

(5) The interests are held by Standard Chartered Bank which is wholly owned by Standard Chartered Holdings Limited, which is in turn ultimately owned by Standard Chartered PLC. Standard Chartered Bank was in a long position of 276,550,853 shares and a short position of 283,182,711 shares (within which the short position consisting of 283,182,711 shares and long position of 55,391,122 shares are derived from the interest in equity derivatives).

(6) These percentages have been compiled based on the total number of issued shares (i.e. 5,211,587,981 shares) at 31 December 2011.

Save as disclosed above, at 31 December 2011, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

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

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

Name or category of eligible participants	Date of grant	Exercise price per share HK$	At 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2011	Period during which the share options are exercisable
Directors								
Mr. Freddy C. K. LEE	20 June 2007	7.00	3,520,407	–	–	(51,021)	3,469,386	20 June 2009 – 19 June 2016
	2 June 2008	7.34	671,466	–	–	(9,732)	661,734	2 June 2010 – 1 June 2017
Sir John R.H. Bond	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Professor Gary C. BIDDLE	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Roger L. McCARTHY	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. David J. SHAW	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. Louis H. W. WONG (Note 1)	20 June 2007	7.00	5,428,570	–	–	(5,428,570)	–	20 June 2007 – 30 September 2011
Mr. LEUNG Chun Ying (Note 2)	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Edgar W. K. CHENG (Note 2)	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Subtotal			**12,620,443**	**–**	**–**	**(5,489,323)**	**7,131,120**	
Consultants								
Mr. Richard K. N. HO	20 June 2007	7.00	1,000,000	–	–	–	1,000,000	20 June 2007 – 19 June 2016
Dr. Thomas K. F. LEUNG	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Subtotal			**1,500,000**	**–**	**–**	**–**	**1,500,000**	
Employees (in aggregate)	20 June 2007	7.00	77,941,915	–	–	(13,735,888)	64,206,027	20 June 2009 – 19 June 2016
	1 August 2007	8.18	1,109,933	–	–	(301,302)	808,631	1 August 2009 – 31 July 2016
	2 October 2007	10.00	2,066,456	–	–	(386,734)	1,679,722	2 October 2009 – 1 October 2016
	1 November 2007	11.78	724,550	–	–	(226,695)	497,855	1 November 2009 – 31 October 2016
	3 December 2007	9.88	580,866	–	–	(464,710)	116,156	3 December 2009 – 2 December 2016
	2 January 2008	8.97	3,178,009	–	–	(329,607)	2,848,402	2 January 2010 – 1 January 2017
	1 February 2008	8.05	1,444,882	–	–	(174,890)	1,269,992	1 February 2010 – 31 January 2017
	3 March 2008	7.68	633,008	–	–	(142,627)	490,381	3 March 2010 – 2 March 2017
	2 May 2008	7.93	5,421,932	–	–	(981,278)	4,440,654	2 May 2010 – 1 May 2017
	2 June 2008	7.34	12,994,246	–	–	(3,085,401)	9,908,845	2 June 2010 – 1 June 2017
	2 July 2008	6.46	947,231	–	–	(250,694)	696,537	2 July 2010 – 1 July 2017
	4 September 2009	4.90	20,989,141	–	–	(3,878,712)	17,110,429	3 November 2010 – 2 November 2017
Subtotal			**128,032,169**	**–**	**–**	**(23,958,538)**	**104,073,631**	
Total			**142,152,612**	**–**	**–**	**(29,447,861)**	**112,704,751**	

Notes:

(1) Mr. Louis H. W. WONG resigned as an Executive Director of the Company with effect from 16 March 2011. His share options lapsed on 1 October 2011.

(2) Dr. Edgar W. K. CHENG resigned as Independent Non-executive Director of the Company on 3 November 2011 and Mr. LEUNG Chun Ying resigned as Non-executive Director of the Company on 31 December 2011. Their share options will lapse on 20 June 2012 in accordance with the Share Option Scheme.

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

Summary of the Share Option Scheme are as follows:

(i) Purpose

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

(ii) Qualifying participants

The Board may offer to grant an option to any employee including employees who are newly promoted or recruited by the Company and/or its subsidiaries and non-executive directors, consultants or other contributors of the Company or its subsidiaries as recommended by the Chairman.

(iii) Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit being exceeded. At 31 December 2011, the number of shares available for issue in respect thereof is 418,009,717 shares.

(iv) Limit for each participant

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

(v) Option period

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

(vi) Acceptance and payment on acceptance

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

(vii) Subscription price

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

(viii) Remaining life of the Share Option Scheme

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2011.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 78 to 93.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 41 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions of the Company and its subsidiaries during the year under review, certain of which are ongoing.

(1) Provision of project management services by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. ("SYKIZ") to Shanghai Yangpu Centre Development Co., Ltd. ("KIC")

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

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

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

The Group expected that the maximum annual amount payable by KIC to SYKIZ for the advisory services for the year ended 31 December 2011 would not exceed RMB9 million.

An amount of RMB1.1 million was paid and/or is payable by KIC to SYKIZ for the advisory services during the year under review. The relevant annual cap for the year ended 31 December 2011 has not been renewed upon its expiry on 31 December 2011.

(2) Leases of property by the Group from the subsidiaries of SOCL

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

In Shanghai, the Group has entered into property leasing agreements with Shanghai Jiu Hai Rimmer Properties Co. Ltd., an indirect 80% owned subsidiary of SOCL as at 31 December 2011, for various units in Shui On Plaza for use as offices at market rent. In Hong Kong, a subsidiary of the Company has entered into property leasing and licensing agreements with Shui On Centre Company Limited and SOI, both of which are wholly-owned by SOCL, for various units in Shui On Centre at prevailing market rent. These properties are for use as offices.

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

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

The amounts of RMB27.7 million for the properties in Shanghai and HK$2.6 million for the properties in Hong Kong respectively were paid and/or are payable by the Group to the Shui On Group for leasing and/or licensing of the premises under the property leasing agreements and the framework lease agreement during the year under review.

(3) Provision of construction services by SOCAM Development Limited ("SOCAM") to the Group

In the ordinary course of the Group's business, the Group entered into a number of construction contracts with Shui On Construction Co., Ltd. ("SOCC"), and Pat Davie (China) Limited (together, the "SOCAM Contractors"), which are the subsidiaries of SOCAM (formerly known as Shui On Construction and Materials Limited), as the contractors for construction works in relation to the Group's projects in the PRC. The construction contracts include renovation works, building decoration works, mechanical and electrical system materials procurement and building materials procurement. Mr. Lo and his associates are together currently holding more than 30% equity interest in SOCAM. Therefore, SOCAM and its subsidiaries, including the SOCAM Contractors, are the associates of a connected person of the Company.

On 4 June 2006, the Company entered into a construction services framework agreement with SOCC in respect of the provision of construction services as supplemented by a supplemental agreement dated 15 December 2008 to extend the term for three financial years to 31 December 2011 (the "Construction Services Framework Agreement"). On 9 December 2011, the Company and Shui On Contractors Limited ("SOC"), a wholly-owned subsidiary of SOCAM, entered into a new framework agreement to provide new guidelines and basis of annual caps on the provision of construction services by SOC and its subsidiaries (which form part of SOCAM group and include SOCC as one of its members) to the Group for a further term of three financial years expiring on 31 December 2014.

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

The Group expected that the maximum annual fees for the construction services provided by SOCC to the Group under the Construction Services Framework Agreement for the year ended 31 December 2011 would not exceed RMB845 million.

An amount of RMB816 million was paid and/or is payable by the Group to SOCC for the construction services during the year under review.

(4) Provision of management services by Shui On Development Limited ("Shanghai SOD") to Richcoast Group Limited ("Richcoast") and its subsidiaries (collectively the "Dalian Group")

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

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

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

The annual caps for the management services fees paid or payable by the Dalian Group to each of Shanghai SOD, Max Clear and Yida for the year ended 31 December 2011 must not exceed RMB25 million, RMB37 million and RMB25 million respectively.

The amounts of RMB19.0 million, RMB28.5 million and RMB19.0 million were paid and/or are payable to Shanghai SOD, Max Clear and Yida respectively for the management services fees during the year under review.

(5) Provision of construction services by Yida and its subsidiaries (the "Yida Group") for Dalian Tiandi

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

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

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

An amount of RMB946 million was paid and/or is payable by the Dalian Group to the Yida Group for the construction services fees during the year under review.

(6) Provision of guarantee and counter indemnity with respect to Dalian Tiandi

Under the joint venture arrangement as disclosed in the Company's announcement dated 28 February 2011, Richcoast sold its 30% interest in Many Praises Dalian Limited ("Many Praises") to Mitsui Fudosan Residential Co. Ltd. ("Mitsui") so that upon completion of the related sale and purchase agreement, Many Praises is held as to 70% by Richcoast and 30% by Mitsui.

For the purpose of the joint venture arrangement, Shui On Development (Holding) Limited ("SODH", a wholly-owned subsidiary of the Company) and SOCAM entered into a guarantee with Mitsui and Many Praises pursuant to which SODH and SOCAM agreed to severally (but not jointly) provide a guarantee to Mitsui and Many Praises (the "Dalian Guarantee"). The aggregate amount to be guaranteed by SODH and SOCAM under the Dalian Guarantee shall be capped at and shall not exceed RMB500 million.

In connection with the guaranteed obligations of SODH and SOCAM to Mitsui and Many Praises under the Dalian Guarantee, Many Gain International Limited ("Many Gain", a member of the Yida Group) executed a counter indemnity in favor of SODH and SOCAM (the "Counter Indemnity"). Pursuant to the Counter Indemnity, Many Gain agreed to guarantee that whenever SODH and SOCAM are required to pay any amount of their guaranteed obligations to Mitsui and Many Praises under the Dalian Guarantee when due, Many Gain shall immediately on demand pay to SODH and SOCAM 30% of such amount as if it were the principal obligor.

Mr. Lo and his associates are together currently holding more than 30% equity interest in SOCAM. Therefore, SOCAM is a connected person of the Company and the provision of the Dalian Guarantee by SODH and SOCAM to Mitsui and Many Praises for the benefit of certain subsidiaries in the Dalian Group constituted a connected transaction of the Company under the Listing Rules.

In addition, Richcoast is a subsidiary of the Company for the purposes of the Listing Rules, Many Gain is a connected person of the Company by virtue of being a substantial shareholder of Richcoast. Therefore, the provision of Counter Indemnity by Many Gain to SODH also constituted a connected transaction of the Company under the Listing Rules.

(7) Use of aircraft owned by a subsidiary of SOCL

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

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

It was expected that the maximum annual fees payable by the Group to Top Dynasty and its affiliates under the agreement for the three years ending 31 December 2013 would not exceed RMB19.4 million, RMB20.2 million and RMB21.1 million respectively.

An amount of RMB11.2 million was paid and/or is payable by the Group to Top Dynasty and its affiliates for the use of aircraft during the year under review.

(8) Continuing connected transactions with respect to certain projects of Chongqing Shui On Tiandi Property Development Company Limited ("Chongqing Tiandi")

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

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

The annual cap for the services fees payable by Chongqing Tiandi to the WLL Group under the CQ(NA) Agreement for the year ended 31 December 2011 must not exceed RMB9.9 million.

Pursuant to the CQ(NA) Agreement, an amount of RMB9.0 million was paid and/or is payable by Chongqing Tiandi to the WLL Group for the project services fees during the year under review. The relevant annual caps under the CQ(NA) Agreement for the three years ended 31 December 2011 have not been renewed upon their expiry on 31 December 2011.

(9) Continuing connected transactions with respect to the Super High Rise project of Chongqing Tiandi

On 24 May 2011, WLL and Chongqing Tiandi entered into a project services framework agreement (the "CQ(SHR) Agreement") pursuant to which Chongqing Tiandi may enter into separate service contracts with the WLL Group to perform services with respect to the Super High Rise project of Chongqing Tiandi, from time to time in accordance with the terms of the CQ(SHR) Agreement for the three years ending 31 December 2013.

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

The annual caps for the services fees payable by Chongqing Tiandi to the WLL Group under the CQ(SHR) Agreement for the three years ending 31 December 2013 must not exceed RMB15.72 million, RMB20.14 million and RMB21.88 million respectively.

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

(10) Continuing connected transactions with respect to the projects of Shanghai Rui Hong Xin Cheng Co., Ltd ("RHXC")

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

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

The annual cap for the services fees payable by RHXC to the WLL Group for the year ended 31 December 2011 must not exceed RMB8 million.

An amount of RMB 1.8 million was paid and/or is payable by RHXC to the WLL Group for the project services fees during the year under review.

(11) Acquisition of 24.75% effective rights and interests pertaining to the Non-Retail Portion of Lot 6 of the Shanghai Rui Hong Xin Cheng project

On 1 April 2011, SODH, Elegant Partners Limited ("EPL"), Foresight Profits Limited ("FPL"), Silomax Limited, Selfers Limited and Hollyfield Holdings Limited (collectively as the "Parties") entered into contractual agreements pursuant to which EPL agreed to dispose of, and SODH agreed to acquire from EPL, all of the 24.75% effective rights and interests owned by EPL pertaining to the non-retail portion of Lot 6 of the Shanghai Rui Hong Xin Cheng project at a total cash consideration of RMB378.3 million or its equivalent amount in USD.

As EPL is a substantial shareholder of FPL, a subsidiary of the Company, EPL is a connected person of the Company under the Listing Rules. Therefore, the acquisition constituted a connected transaction of the Company under the Listing Rules.

(12) Provision of services by Shanghai SOD to Shanghai Li Xing Hotel Company Limited ("Li Xing")

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

On 24 December 2009, SOI acquired 100% equity interest of Li Xing. SOI is an associate of Mr. Lo, a director of the Company, and therefore, Li Xing (being a subsidiary of SOI at the date of the relevant announcement) became a connected person of the Company. Accordingly, the provision of services by Shanghai SOD to Li Xing constituted continuing connected transaction of the Company under the Listing Rules. On 18 January 2010, Shanghai SOD and Li Xing entered into a supplemental agreement to restrict the term of the original agreement dated 1 January 2007 to not more than 3 years.

The annual caps for the services fees payable by Li Xing to Shanghai SOD for the two years ending 31 December 2012 must not exceed RMB10 million and RMB5 million respectively.

An amount of RMB10 million was paid and/or is payable by Li Xing to the Group for the services fees during the year under review.

(13) Connected transactions with the Langham Hospitality Group with respect to 88 Tiandi Project

On 22 August 2011, SODH entered into a joint venture arrangement with Langham Hospitality Group Limited and its subsidiaries (the "Langham Hospitality Group") for the purposes of owning and holding the 88 Xintiandi brand and trademarks for use by hotels and branded residences in the PRC as contemplated under the Shareholders' Deed dated 22 August 2011 and the related agreements (the "88 Tiandi Project").

Pursuant to the Shareholders' Deed and in furtherance of the 88 Tiandi Project, SODH and the Langham Hospitality Group further entered into the Master Agreement on 22 August 2011 pursuant to which the members of the Langham Hospitality Group may enter into separate services contracts with the Group for the provision of fitting-out, centralized services, marketing and management services, and the granting of licences to the hotels and branded residences developed and/or owned by the Group or third parties under the 88 Xintiandi brand.

The Langham Hospitality Group is under Great Eagle Holdings Limited ("Great Eagle") which is the associate of Mr. Lo for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Shareholders' Deed and the Master Agreement constituted connected transactions of the Company under the Listing Rules.

The annual caps for the services payable by the Group to the Langham Hospitality Group under the Master Agreement for each of the financial years ending 31 December 2025 shall not exceed RMB80 million (approximately HK$97.56 million).

An amount of RMB0.2 million was paid and/or is payable by the Group to the Langham Hospitality Group for the services during the year under review.

(14) Disposal of the 49% interests in Value Land Investment Limited ("Value Land") to Mitsui and future buyback of Mitsui's interests in Value Land

On 29 November 2011, SODH and Mitsui entered into an agreement pursuant to which SODH agreed conditionally to sell and Mitsui agreed conditionally to purchase the 49% equity interests of the entire issued share capital of Value Land and the related shareholder's loans (the "Disposal"). Upon completion of the Disposal, Value Land will be held as to 51% by SODH and 49% by Mitsui.

Upon occurrence of the buyback triggering event, Mitsui will receive economic interest through dividend distribution (the "Buyback"). The Group expected that the price for the Buyback payable by SODH to Mitsui shall not exceed RMB730 million.

Mitsui is a connected person of the Company by virtue of its 30% shareholding interest in Many Praises, which is an indirect non-wholly owned subsidiary of the Company. Accordingly, each of the Disposal and the Buyback constituted a connected transaction of the Company as defined under the Listing Rules.

Pursuant to Rule 14A.37 of the Listing Rules, the INEDs of the Company have reviewed the above continuing connected transactions referred to in items (1) to (5) , items (7) to (10) and items (12) to (13) and are of the opinion that the continuing connected transactions as stated in items (1) to (5) , items (7) to (10) and items (12) to (13) above have been:

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

(ii) conducted on normal commercial terms; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions referred to in items (1) to (5) , items (7) to (10) and items (12) to (13) disclosed by the Group in the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2011, the following Director or his associates was considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

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

There is a deed of non-competition dated 30 May 2006 (the "Deed") and entered into between Mr. Lo, SOCL and the Company pursuant to which Mr. Lo and SOCL have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group (that is, SOCL and its subsidiaries and for the purpose of this section "Directors' Interests in Competing Business", excluding SOCAM and its subsidiaries) for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. Such information has been disclosed in the Company's prospectus dated 20 September 2006. In respect of the year ended 31 December 2011, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the non-competition undertakings as contemplated under the Deed.

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

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

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

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

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

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

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

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

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

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

Any breach of the above obligations will cause a default in respect of the Chongqing HSBC Loan, the BNP Loan, the 2013 Notes and the 2015 Notes, and may trigger cross defaults in other outstanding debts of the Group in the aggregate amount of approximately RMB10,948 million as of 31 December 2011.

Subsequent to the year ended 31 December 2011, a written agreement (the "2015 SODS Indenture") was entered into between the Company and SODH as guarantors Shui On Development (Singapore) Pte. Ltd. ("Shui On Development (Singapore)") as issuer and DB as trustee of the S$250 million 8% senior notes due 2015 issued by Shui On Development (Singapore) (the "2015 SODS Notes") on 26 January 2012, pursuant to which the 2015 SODS Notes were issued.

The 2015 SODS Indenture provided that upon the occurrence of a change of control, the Company, SODH or Shui On Development (Singapore) will make an offer to repurchase all outstanding 2015 SODS Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase.

A change of control under the 2015 SODS Indenture includes, among others, any transaction that results in any of the following: (1) the merger, amalgamation or consolidation of the Company or SODH with or into another individual or entity or the merger or amalgamation of another individual or entity with or into the Company or SODH, or the sale of all or substantially all the assets of the Company or SODH to another individual or entity; or (2) Mr. Lo, any other person under common control with Mr. Lo and any person owned 80% by persons aforesaid (collectively, the "Permitted Holders under the 2015 SODS Indenture") being the beneficial owner of less than 35% of the total voting power of the voting stock of the Company or SODH; or (3) any person or group (as defined in the 2015 SODS Indenture) other than the Permitted Holders under the 2015 SODS Indenture being the beneficial owner of more voting power of the voting stock of the Company or SODH than the voting power held beneficially by the Permitted Holders under the 2015 SODS Indenture; or (4) the adoption of a plan relating to the liquidation or dissolution of the Company or SODH.

Subsequent to the year ended 31 December 2011, a written agreement (the "2015 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$475 million 9.75% notes due 2015 issued by SODH (the "2015 SODH Notes") on 22 February 2012, pursuant to which the 2015 SODH Notes were issued.

The 2015 SODH Indenture provides that upon the occurrence of a change of control, the Company or SODH will make an offer to repurchase all outstanding 2015 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase.

A change of control under the 2015 SODH Indenture includes, among others, any transaction that results in any of the following: (1) the merger, amalgamation or consolidation of the Company or SODH with or into another individual or entity or the merger or amalgamation of another individual or entity with or into the Company or SODH, or the sale of all or substantially all the assets of the Company or SODH to another individual or entity; or (2) Mr. Lo, any other person under common control with Mr. Lo and any person owned 80% by persons aforesaid (collectively, the "Permitted Holders under the 2015 SODH Indenture") being the beneficial owner of less than 35% of the total voting power of the voting stock of the Company or SODH; or (3) any person or group (as defined in the 2015 SODH Indenture) other than the Permitted Holders under the 2015 SODH Indenture being the beneficial owner of more voting power of the voting stock of the Company or SODH than the voting power held beneficially by the Permitted Holders under the 2015 SODH Indenture; or (4) the adoption of a plan relating to the liquidation or dissolution of the Company or SODH.

REMUNERATION POLICY

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

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

PROVIDENT AND RETIREMENT FUND SCHEMES

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float during the year ended 31 December 2011, as required under the Listing Rules.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB14 million (2010: RMB12 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group sales were attributable to the top five customers of the Group. For the year ended 31 December 2011, payments to our single largest construction contractor, SOC, accounted for approximately 16% of our total payments for construction services. Details of the transactions with SOC are set out under the caption Connected Transactions point (3) "Provision of construction services by SOCAM to the Group" on page 117. Our five largest construction contractors accounted for approximately 38% of our total payments for construction services. Except for the construction payments to SOC, none of our Directors, their associates or any shareholders holding more than 5% of the share capital of the Company holds any interest in our five largest construction contractors.

AUDITOR

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

On behalf of the Board

Vincent H. S. LO
Chairman

21 March 2012

Deloitte.
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TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 128 to 198, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 RMB'million	2010 RMB'million
Turnover			
– The Company and its subsidiaries ("the Group")		**8,484**	4,879
– Share of associates		**179**	–
		8,663	4,879
Turnover of the Group	5	**8,484**	4,879
Cost of sales		**(4,783)**	(2,869)
Gross profit		**3,701**	2,010
Other income	6	**244**	226
Selling and marketing expenses		**(195)**	(142)
General and administrative expenses		**(634)**	(561)
Operating profit	7	**3,116**	1,533
Increase in fair value of investment properties	13	**2,696**	2,711
Gain on disposal of investment properties		**17**	23
Share of results of associates	17	**137**	58
Finance costs, net of exchange gain	8	**94**	42
Profit before taxation		**6,060**	4,367
Taxation	9	**(2,062)**	(1,357)
Profit for the year		**3,998**	3,010
Attributable to:			
Shareholders of the Company		**3,428**	2,809
Non-controlling interests		**570**	201
		3,998	3,010
Earnings per share	12		
– Basic		**RMB0.66**	RMB0.55
– Diluted		**RMB0.58**	RMB0.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 RMB'million	2010 RMB'million
Profit for the year		**3,998**	3,010
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**5**	(4)
Fair value adjustments on interest rate swaps designated as cash flow hedges	32	**68**	(7)
Other comprehensive income (expense) for the year		**73**	(11)
Total comprehensive income for the year		**4,071**	2,999
Total comprehensive income attributable to:			
Shareholders of the Company		**3,501**	2,798
Non-controlling interests		**570**	201
		4,071	2,999

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2011

	Notes	2011 RMB'million	2010 RMB'million
Non-current assets			
Investment properties	13	36,395	26,893
Property, plant and equipment	14	1,079	540
Prepaid lease payments	15	500	73
Interests in associates	17	1,057	920
Loans to associates	17	1,366	1,270
Accounts receivable	19	86	64
Pledged bank deposits	20	1,143	1,569
Deferred tax assets	33	154	162
		41,780	31,491
Current assets			
Properties under development for sale	16	17,247	14,308
Properties held for sale	21	987	627
Accounts receivable, deposits and prepayments	19	2,503	3,604
Loans receivable	22	152	597
Amounts due from associates	17	446	318
Amounts due from related companies	23	212	49
Amounts due from non-controlling shareholders of subsidiaries	24	50	38
Pledged bank deposits	20	1,369	316
Restricted bank deposits	20	335	243
Bank balances and cash	20	3,523	4,662
		26,824	24,762
Current liabilities			
Accounts payable, deposits received and accrued charges	25	5,068	4,987
Amounts due to related companies	23	368	95
Amounts due to associates	17	5	29
Amounts due to non-controlling shareholders of subsidiaries	24	404	462
Loan from a non-controlling shareholder of a subsidiary	26	–	300
Tax liabilities		1,855	1,230
Bank borrowings – due within one year	27	8,774	1,644
		16,474	8,747
Net current assets		10,350	16,015
Total assets less current liabilities		52,130	47,506

	Notes	2011 RMB'million	2010 RMB'million
Capital and reserves			
Share capital	28	102	102
Reserves		27,843	24,718
Equity attributable to shareholders of the Company		27,945	24,820
Non-controlling interests		1,526	1,208
Total equity		29,471	26,028
Non-current liabilities			
Bank and other borrowings – due after one year	27	7,969	11,539
Convertible bonds	30	2,225	2,117
Notes	31	6,520	2,945
Derivative financial instruments designated as hedging instruments	32	150	218
Loans from non-controlling shareholders of subsidiaries	26	2,078	1,653
Deferred tax liabilities	33	3,710	3,001
Defined benefit liabilities	34	7	5
		22,659	21,478
Total equity and non-current liabilities		52,130	47,506

The consolidated financial statements on pages 128 to 198 were approved and authorised for issue by the Board of Directors on 21 March 2012 and are signed on its behalf by:

Vincent H. S. LO
DIRECTOR

Daniel Y. K. WAN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to shareholders of the Company												
	Share capital	Share premium	Merger reserve	Special reserve	Share option reserve	Exchange reserve	Convertible bond equity reserve	Hedge reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
	RMB' million	RMB' million	RMB' million (note 29(a))	RMB' million (note 29(b))	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million (note 29(c))	RMB' million	RMB' million	RMB' million	RMB' million
At 1 January 2010	99	12,433	122	(101)	136	19	–	(91)	603	8,359	21,579	995	22,574
Profit for the year	–	–	–	–	–	–	–	–	–	2,809	2,809	201	3,010
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(4)	–	–	–	–	(4)	–	(4)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 32)	–	–	–	–	–	–	–	(7)	–	–	(7)	–	(7)
Total comprehensive (expense) income for the year	–	–	–	–	–	(4)	–	(7)	–	2,809	2,798	201	2,999
Recognition of equity-settled share-based payment expenses	–	–	–	–	19	–	–	–	–	–	19	–	19
Issue of convertible bonds (note 30)	–	–	–	–	–	–	605	–	–	–	605	–	605
Capital injection	–	–	–	–	–	–	–	–	–	–	–	50	50
Acquisition of additional interests in a subsidiary (note 35(b)(ii))	–	–	–	–	–	–	–	–	34	–	34	(34)	–
Release of special reserve upon disposal of the related assets	–	–	–	30	–	–	–	–	–	–	30	–	30
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Total dividends of HK$0.18 paid, comprising 2009 final dividend of HK$0.12 per share and 2010 interim dividend of HK$0.06 per share	–	–	–	–	–	–	–	–	–	(800)	(800)	–	(800)
Shares issued in lieu of cash dividend	3	552	–	–	–	–	–	–	–	–	555	–	555
At 31 December 2010	102	12,985	122	(71)	155	15	605	(98)	637	10,368	24,820	1,208	26,028
Profit for the year	–	–	–	–	–	–	–	–	–	3,428	3,428	570	3,998
Exchange difference arising on translation of foreign operations	–	–	–	–	–	5	–	–	–	–	5	–	5
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 32)	–	–	–	–	–	–	–	68	–	–	68	–	68
Total comprehensive income for the year	–	–	–	–	–	5	–	68	–	3,428	3,501	570	4,071
Recognition of equity-settled share-based payment expenses	–	–	–	–	15	–	–	–	–	–	15	–	15
Capital injection	–	–	–	–	–	–	–	–	–	–	–	26	26
Acquisition of additional ownership interests in a subsidiary (note 35(b)(i))	–	–	–	(104)	–	–	–	–	–	–	(104)	(274)	(378)
Release of special reserve upon disposal of the related assets	–	–	–	40	–	–	–	–	–	–	40	–	40
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Total dividends of HK$0.075 paid, comprising 2010 final dividend of HK$0.05 per share and 2011 interim dividend of HK$0.025 per share	–	–	–	–	–	–	–	–	–	(327)	(327)	–	(327)
At 31 December 2011	102	12,985	122	(135)	170	20	605	(30)	637	13,469	27,945	1,526	29,471

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 RMB'million	2010 RMB'million
Operating activities		
Profit before taxation	**6,060**	4,367
Adjustments for:		
Depreciation of property, plant and equipment	**67**	66
Release of prepaid lease payments	**2**	1
Loss on disposal of property, plant and equipment	**–**	1
Net foreign exchange gain	**(125)**	(46)
Share of results of associates	**(137)**	(58)
Gain on disposal of investment properties	**(17)**	(23)
Finance costs, net of exchange gain	**(94)**	(42)
Interest income	**(152)**	(150)
Increase in fair value of investment properties	**(2,696)**	(2,711)
Increase in defined benefit liabilities	**2**	3
Equity-settled share-based payment expenses	**15**	19
Release of special reserve	**40**	30
Operating cash flows before movements in working capital	**2,965**	1,457
Decrease (increase) in accounts receivable, deposits and prepayments	**1,079**	(2,672)
Increase in properties under development for sale	**(7,010)**	(4,448)
Decrease in properties held for sale	**4,485**	2,619
(Increase) decrease in amounts due from related companies	**(163)**	24
Increase in amounts due to related companies	**273**	26
Decrease in amounts due to associates	**(24)**	(16)
(Decrease) increase in accounts payable, deposits received and accrued charges	**(265)**	675
Increase in restricted bank deposits	**(92)**	(243)
Cash generated from (used in) operations	**1,248**	(2,578)
Tax paid	**(720)**	(745)
Net cash from (used in) operating activities	**528**	(3,323)

For the year ended 31 December 2011

	Notes	2011 RMB'million	2010 RMB'million
Investing activities			
Interest received		119	114
Purchase of property, plant and equipment		(237)	(33)
Additions to investment properties		(7,280)	(3,426)
Proceeds from disposal of investment properties		613	185
Additions to prepaid lease payments		(434)	–
Increase in loans to associates		(120)	(171)
Net cash outflow from acquisition of a subsidiary	35(a)	–	(109)
Net cash inflow from disposal of subsidiaries	36	342	–
Withdrawal of pledged bank deposits		645	954
Placement of pledged bank deposits		(1,272)	(820)
Decrease (increase) in loans receivable		445	(219)
Net cash used in investing activities		(7,179)	(3,525)
Financing activities			
Advance from non-controlling shareholders of subsidiaries		410	1,118
Repayment to non-controlling shareholders of subsidiaries		(733)	(311)
Capital injected by non-controlling shareholders of subsidiaries		26	50
Deposit received in respect of partial disposal of equity interests in subsidiaries	25(b)	352	–
New bank and other loans raised		6,106	6,761
Repayment of bank loans		(2,082)	(3,483)
Issue of convertible bonds	30	–	2,720
Expenses on issue of convertible bonds	30	–	(54)
Issue of notes	31	3,500	3,000
Expenses on issue of notes	31	(70)	(60)
Interest and bank charges paid		(1,547)	(827)
Payment of dividends		(327)	(245)
Dividend payment to non-controlling shareholders		(4)	(4)
Net cash from financing activities		5,631	8,665
Net (decrease) increase in cash and cash equivalents		(1,020)	1,817
Cash and cash equivalents at the beginning of the year		4,662	2,928
Effect of foreign exchange rate changes		(119)	(83)
Cash and cash equivalents at the end of the year		3,523	4,662
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		3,523	4,662

1. GENERAL

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

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and interpretations ("IFRIC") (hereinafter collectively referred to as "new and revised IFRSs"), which are effective for the Group's financial year beginning on 1 January 2011.

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (Revised 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRC 14	Prepayments of a Minimum Funding Requirement
IFRC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs issued but not yet effective

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

Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters[1]
Amendments to IFRS 1	Government Loans[2]
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
Amendments to IFRS 9 & IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

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

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each accounting period. All other debt investments and equity investments are measured at their fair values at the end of each accounting period. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors of the Company anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2015 and that the application of this new Standard will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs issued but not yet effective (Continued)

The amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Directors of the Company anticipate that the adoption of the amendments to IAS 12 in the financial year ending 31 December 2012 may not have any impact on the consolidated financial statements of the Group because the Directors of the Company consider that the presumption would be rebutted as all of the Group's investment properties, which are located in the Peoples's Republic of China ("PRC"), are held within a business model of the Group which the business objective is to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale, and accordingly, the measurement of the deferred tax liabilities under the amendments to IAS 12 would reflect the tax consequences of recovering the carrying amount of the investment properties through use, which is the current practice of the Group.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. The Directors of the Company are in the process of assessing the financial impact.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope. The Directors of the Company anticipate that the adoption of IFRS 13 in the financial year ending 31 December 2013 may affect the valuation of the investment properties of the Group, which are measured at fair value at the end of each reporting period.

The Directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The significant accounting policies adopted are set out as follows:

Basis of consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Merger accounting for common control combinations

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Construction costs incurred for investment properties under construction or development are capitalised as part of the carrying amount of the investment properties under construction or development.

Subsequent to initial recognition, investment properties are measured at their fair values at the end of each reporting period using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in consolidated income statement for the period in which they arise.

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than buildings and hotels under development, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. No depreciation is provided on hotels under development which have not been in use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Prepaid lease payments

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

Properties under development for sale

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

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

Properties held for sale

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates

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

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

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

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

Interests in jointly controlled entities

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

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

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

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

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment of loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables (Continued)

The objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

If, in a subsequent period, the amount of impairment loss of loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had no impairment loss been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible bonds

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

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

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

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

Notes

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

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derivative financial instruments and hedging

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

Hedge accounting

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

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

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Borrowing costs

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

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

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

Foreign currencies

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

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

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

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

Equity-settled share-based payment transactions

Share options granted to employees (including Directors)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

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

Retirement benefit costs

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

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

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

Government grants

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

Revenue recognition

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

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

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

Revenue from serviced apartment operation is recognised when the services for provision of the serviced apartment rooms and ancillary services are provided.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Investment properties

The fair values of completed investment properties and certain investment properties under construction or development that are measured using the fair value model are determined based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation reflect market condition. The basis of valuation is disclosed in note 13. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Land appreciation tax

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

5. TURNOVER AND SEGMENTAL INFORMATION

An analysis of the turnover of the Group and associates for the year is as follows:

	2011			2010
	Group	**Share of associates**	**Total**	Group and total
	RMB'million	**RMB'million**	**RMB'million**	RMB'million
Property development:				
Property sales	**7,581**	**160**	**7,741**	4,133
Property investment:				
Rental income received from investment properties	**744**	**19**	**763**	597
Income from serviced apartments	**14**	**–**	**14**	22
Property management fees	**38**	**–**	**38**	34
Rental related income	**53**	**–**	**53**	53
	849	**19**	**868**	706
Others	**54**	**–**	**54**	40
Total	**8,484**	**179**	**8,663**	4,879

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

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

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

Property development	– development and sale of properties, mainly residential units
Property investment	– offices and retail shops letting, management and operations of serviced apartments

For the year ended 31 December 2011

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue				
Turnover of the Group	7,581	849	54	8,484
Share of turnover of associates	160	19	–	179
Total	7,741	868	54	8,663
Segement Results				
Segment results of the Group	2,781	3,190	43	6,014
Interest income				152
Share of results of associates				137
Finance costs, net of exchange gain				94
Net unallocated expenses				(337)
Profit before taxation				6,060
Taxation				(2,062)
Profit for the year				3,998
Other Information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment properties and property, plant and equipment	14	263	5	282
Development costs for investment properties under construction or development and prepaid lease payments	–	8,510	–	8,510
Development costs for properties under development held for sale	7,784	–	–	7,784
Depreciation of property, plant and equipment	23	32	12	67
Release of prepaid lease payments charged to consolidated income statement	–	2	–	2
Increase in fair value of investment properties	–	2,696	–	2,696
Financial Position				
Assets				
Segment assets	20,832	38,067	27	58,926
Interests in associates				1,057
Loans to associates				1,366
Amounts due from associates				446
Unallocated corporate assets				6,809
Consolidated total assets				68,604
Liabilities				
Segment liabilities	(4,110)	(768)	(1)	(4,879)
Amounts due to associates				(5)
Unallocated corporate liabilities				(34,249)
Consolidated total liabilities				(39,133)

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

For the year ended 31 December 2010

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue				
Turnover of the Group	4,133	706	40	4,879
Segment Results				
Segment results of the Group	1,323	3,120	26	4,469
Interest income				150
Share of results of associates				58
Finance costs, net of exchange gain				42
Net unallocated expenses				(352)
Profit before taxation				4,367
Taxation				(1,357)
Profit for the year				3,010
Other Information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment properties and property, plant and equipment	23	47	5	75
Development costs for investment properties under construction or development	–	3,790	–	3,790
Development costs for properties under development held for sale	4,884	–	–	4,884
Depreciation of property, plant and equipment	13	39	14	66
Allowance for bad and doubtful debts	–	4	–	4
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Increase in fair value of investment properties	–	2,711	–	2,711
Financial Position				
Assets				
Segment assets	19,070	27,571	58	46,699
Interests in associates				920
Loans to associates				1,270
Amounts due from associates				318
Unallocated corporate assets				7,046
Consolidated total assets				56,253
Liabilities				
Segment liabilities	(4,427)	(464)	(3)	(4,894)
Amounts due to associates				(29)
Unallocated corporate liabilities				(25,302)
Consolidated total liabilities				(30,225)

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

Segment revenue represents the turnover of the Group and the share of turnover of associates.

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

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

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

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

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

No geographical segment information of the Group's non-current assets is shown as the assets are substantially located in the PRC.

6. OTHER INCOME

	2011 **RMB'million**	2010 RMB'million
Interest income from banks	**84**	75
Interest income on non-current accounts receivable from sales of properties	**–**	8
Interest income from amounts due from associates	**9**	8
Interest income from loans to associates	**26**	23
Imputed interest income from loans to associates	**33**	36
Guarantee fee income from a non-controlling shareholder of a subsidiary	**–**	19
Sundry income	**89**	24
Grants received from local government	**3**	33
	244	226

7. OPERATING PROFIT

	2011 RMB'million	2010 RMB'million
Operating profit has been arrived at after charging (crediting):		
Auditor's remuneration	**5**	5
Depreciation of property, plant and equipment	**69**	67
Less: Amount capitalised to properties under development for sale	**(2)**	(1)
	67	66
Release of prepaid lease payments	**7**	1
Less: Amount capitalised to property, plant and equipment	**(5)**	–
	2	1
Loss on disposal of property, plant and equipment	**–**	1
Allowance for bad and doubtful debts	**–**	4
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and allowances	**21**	25
Retirement benefits costs	**2**	2
Share-based payment expenses	**(4)**	2
	21	31
Other staff costs		
Salaries, bonuses and allowances	**346**	309
Retirement benefits costs	**23**	23
Share-based payment expenses	**19**	17
	388	349
Total employee benefits expenses	**409**	380
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(106)**	(91)
	303	289
Cost of properties sold recognised as an expense	**4,485**	2,619
Rental charges under operating leases	**40**	54

8. FINANCE COSTS, NET OF EXCHANGE GAIN

	2011 RMB'million	2010 RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**790**	573
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years (notes 26 and 41)	**151**	125
Interest on convertible bonds (note 30)	**230**	56
Interest on notes (note 31)	**485**	5
Add: Net interest expenses from interest rate swaps designated as cash flow hedge (note 32)	**144**	129
Total interest costs	**1,800**	888
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(1,608)**	(796)
Interest expense charged to consolidated income statement	**192**	92
Net exchange gain on bank borrowings and other financing activities	**(311)**	(200)
Others	**25**	66
	(94)	(42)

Borrowing costs capitalised during the year ended 31 December 2011 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 7.2% (2010: 6.6%) per annum to expenditure on the qualifying assets.

9. TAXATION

	2011 RMB'million	2010 RMB'million
PRC Enterprise Income Tax		
– Current provision	**572**	335
Deferred taxation (note 33)		
– Provision for the year	**849**	807
PRC Land Appreciation Tax		
– Provision for the year	**641**	215
	2,062	1,357

9. TAXATION (CONTINUED)

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

PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% (2010: 25%) on the assessable profits of the companies in the Group during the year.

The PRC Enterprise Income Tax Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1 January 2008 at the rate of 5%. As at 31 December 2011 and 31 December 2010, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

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

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

	2011 **RMB'million**	2010 RMB'million
Profit before taxation	**6,060**	4,367
PRC Enterprise Income Tax at 25% (2010: 25%)	**1,515**	1,092
PRC Land Appreciation Tax	**641**	215
Tax effect of PRC Land Appreciation Tax	**(160)**	(54)
Deferred tax provided for withholding tax on income derived in the PRC	**70**	76
Tax effect of share of results of associates	**(34)**	(14)
Tax effect of expenses not deductible for tax purposes	**209**	122
Tax effect of income not taxable for tax purposes	**(127)**	(85)
Tax effect of tax losses not recognised	**2**	6
Tax effect of utilisation of tax losses previously not recognised	**(54)**	(1)
Tax charge for the year	**2,062**	1,357

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

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

Name of Director	Notes	Fees RMB'000	Salaries RMB'000	Other benefits RMB'000	Performance related incentive payments RMB'000	Retirement benefit costs RMB'000	Share-based payment expenses RMB'000	2011 Total RMB'000	2010 Total RMB'000
Mr. Vincent H.S. LO		–	–	–	–	–	–	–	–
Mr. Freddy C.L. LEE		–	3,892	4,184	1,391	846	936	11,249	8,205
Mr. Daniel Y.K. WAN		–	3,623	3,333	1,500	–	–	8,456	11,171
Mr. Louis H.W. WONG	(a)	–	804	1,061	1,547	655	(5,210)	(1,143)	9,334
Mr. Frankie Y.L. WONG	(b)	122	–	–	–	–	–	122	–
Mr. LEUNG Chun Ying	(c)	248	–	–	–	–	–	248	261
Sir John R.H. BOND	(d)	331	–	–	–	–	–	331	348
Dr. William K.L. FUNG	(d)	373	–	–	–	–	–	373	391
Professor Gary C. BIDDLE	(d)	497	–	–	–	–	–	497	522
Dr. Roger L. McCARTHY	(d)	331	–	–	–	–	–	331	349
Mr. David J. SHAW	(d)	248	–	–	–	–	–	248	261
Dr. Edgar W.K. CHENG	(e)	278	–	–	–	–	–	278	349
Total for 2011		2,428	8,319	8,578	4,438	1,501	(4,274)	20,990	31,191
Total for 2010		2,481	9,514	8,593	7,332	1,485	1,786	31,191	

Notes:
(a) Executive Director resigned during the year 2011
(b) Non-executive Director appointed during the year 2011
(c) Non-executive Director resigned during the year 2011
(d) Independent Non-executive Directors
(e) Independent Non-executive Directors resigned during the year 2011

Of the five highest paid individuals in the Group, two (2010: three) are Executive Directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2010: two) individuals are as follows:

	2011 RMB'million	2010 RMB'million
Salaries	7	5
Other benefits	6	3
Performance related incentive payments	2	–
Retirement benefit costs	1	1
Share-based payment expenses	2	1
	18	10

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

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

	2011 Number of employees	2010 Number of employees
Emolument bands		
HK$5,000,001 – HK$5,500,000	–	1
HK$5,500,001 – HK$6,000,000	–	1
HK$6,500,001 – HK$7,000,000	1	–
HK$7,000,001 – HK$7,500,000	1	–
HK$8,000,001 – HK$8,500,000	1	–
	3	2

No Directors waived any emoluments in the years ended 31 December 2011 and 31 December 2010.

11. DIVIDENDS

	2011 RMB'million	2010 RMB'million
Interim dividend paid in respect of 2011 of HK$0.025 per share (2010: HK$0.06 per share)	107	270
Final dividend proposed in respect of 2011 of HK$0.10 per share (2010: HK$0.05 per share)	473	220
	580	490

A final dividend for the year ended 31 December 2011 of HK$0.10 (equivalent to RMB0.08) per share, amounting to HK$583 million (equivalent to RMB473 million) in aggregate, was proposed by the Directors on 21 March 2012 and is subject to the approval of the shareholders at the forthcoming annual general meeting. Subject to the approval of the shareholders and the Stock Exchange, the proposed final dividend will be payable in the form of cash and shareholders will be given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash.

In October 2011, an interim dividend in respect of 2011 of HK$0.025 (equivalent to RMB0.021) per share was paid to the shareholders of the Company.

A final dividend in respect of 2010 of HK$0.05 (equivalent to RMB0.042) per share was approved by the shareholders of the Company at the annual general meeting on 19 May 2011 and was paid to the shareholders of the Company in June 2011.

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

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

188,931,093 ordinary shares of the Company in aggregate were issued during the year ended 31 December 2010 on the shareholders' election to receive shares. Details of these shares issuances are set out in note 28.

12. EARNINGS PER SHARE

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

Earnings

	2011 RMB'million	2010 RMB'million
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**3,428**	2,809

Number of shares

	2011 'million	2010 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,212**	5,091
Effect of dilutive potential shares:		
Convertible bonds	**669**	168
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,881**	5,259

	2011	2010
Basic earnings per share (note (b))	**RMB0.66**	RMB0.55
	HK$0.80	HK$0.63
Diluted earnings per share (note (b))	**RMB0.58**	RMB0.53
	HK$0.70	HK$0.61

Notes:

(a) There are no dilution effects for share options granted as the exercise prices of these share options granted were higher than the average market price for 2011 and 2010.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.208 for 2011 and RMB1.000 to HK$1.150 for 2010, being the average exchange rates that prevailed during the respective years.

13. INVESTMENT PROPERTIES

	Completed investment properties RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Total RMB'million
At 1 January 2010	9,384	6,129	5,693	21,206
Additions	42	969	2,821	3,832
Acquisition of a subsidiary (note 35(a))	–	–	67	67
Eliminated upon disposal	(162)	–	–	(162)
Transfers	–	2,264	(2,264)	–
Transfer upon completion	3,965	(3,965)	–	–
Transfer from properties, plant and equipment (note 14)	39	–	–	39
Transfer to properties, plant and equipment (note 14)	(258)	–	–	(258)
Transfer to prepaid lease payments (note 15)	(31)	–	–	(31)
Transfer to properties under development for sale (note 16)	–	(153)	(358)	(511)
Increase in fair value recognised in the consolidated income statement	1,140	1,571	–	2,711
At 31 December 2010	14,119	6,815	5,959	26,893
At 31 December 2010				
– Stated at fair value	14,119	6,815	–	20,934
– Stated at cost	–	–	5,959	5,959
At 1 January 2011	**14,119**	**6,815**	**5,959**	**26,893**
Additions	**40**	**4,856**	**3,220**	**8,116**
Disposal of subsidiaries (note 36)	**–**	**–**	**(348)**	**(348)**
Eliminated upon disposal	**(596)**	**–**	**–**	**(596)**
Transfers	**–**	**344**	**(344)**	**-**
Transfer upon completion	**2,801**	**(2,801)**	**–**	**-**
Transfer to properties, plant and equipment (note 14)	**(31)**	**(335)**	**–**	**(366)**
Increase in fair value recognised in the consolidated income statement	**1,648**	**1,048**	**–**	**2,696**
At 31 December 2011	**17,981**	**9,927**	**8,487**	**36,395**
At 31 December 2011				
– Stated at fair value	**17,981**	**9,927**	**–**	**27,908**
– Stated at cost	**–**	**–**	**8,487**	**8,487**

The investment properties are all situated in the PRC and held under long term leases of RMB3,510 million (2010: RMB1,463 million) and medium-term leases of RMB32,885 million (2010: RMB25,430 million). All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

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

13. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the Group's investment properties at 31 December 2011 and 31 December 2010 and at dates of transfer upon completion of development of investment properties under construction or development and at the dates of transfer to property, plant and equipment have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuers not connected to the Group.

For completed investment properties, the valuations have been arrived at mainly by using the capitalisation of net income method and where appropriate, also by reference to direct comparison method. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'million	Hotels under development RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
At Cost				
At 1 January 2010	304	–	221	525
Transfer from investment properties (note 13)	258	–	–	258
Transfer to investment properties (note 13)	(42)	–	–	(42)
Additions	5	–	28	33
Disposals	–	–	(2)	(2)
At 31 December 2010	525	–	247	772
Transfer from investment properties (note 13)	**31**	**335**	**–**	**366**
Additions	**–**	**198**	**44**	**242**
Disposals	**–**	**–**	**(8)**	**(8)**
At 31 December 2011	**556**	**533**	**283**	**1,372**
Accumulated Depreciation				
At 1 January 2010	41	–	128	169
Charge for the year	18	–	49	67
Transfer to investment properties (note 13)	(3)	–	–	(3)
Eliminated on disposals	–	–	(1)	(1)
At 31 December 2010	56	–	176	232
Charge for the year	**26**	**–**	**43**	**69**
Eliminated on disposals	**–**	**–**	**(8)**	**(8)**
At 31 December 2011	**82**	**–**	**211**	**293**
Carrying Values				
At 31 December 2011	**474**	**533**	**72**	**1,079**
At 31 December 2010	469	–	71	540

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The owner-occupied leasehold land and buildings of RMB100 million (2010: RMB77 million) and hotels under development of RMB533 million (2010: nil) at the end of the reporting period are included in property, plant and equipment, as in the opinion of the Directors, allocations between the land and buildings elements could not be made reliably.

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

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

15. PREPAID LEASE PAYMENTS

	2011 **RMB'million**	2010 RMB'million
At beginning of the year	**73**	43
Additions	**434**	–
Transfer from investment properties (note 13)	**–**	31
Release for the year (note 7)	**(7)**	(1)
At end of the year	**500**	73

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

16. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2011 **RMB'million**	2010 RMB'million
At beginning of the year	**14,308**	11,532
Transfer from investment properties (note 13)	**–**	511
Additions	**7,784**	4,839
Acquisition of a subsidiary (note 35)	**–**	45
Transfer to properties held for sale	**(4,845)**	(2,619)
At end of the year	**17,247**	14,308

The properties under development are all situated in the PRC.

Included in the properties under development for sale as at 31 December 2011 is carrying value of RMB15,445 million (2010: RMB11,524 million) which represents the carrying value of the properties expected to be completed after more than twelve months from the end of the reporting period.

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES/AMOUNTS DUE TO ASSOCIATES

	Notes	2011 RMB'million	2010 RMB'million
Cost of investments, unlisted		357	357
Share of post-acquisition profits		700	563
		1,057	920
Loans to associates			
– Interest free	(a)	808	805
– Interest bearing at 5% per annum	(b)	558	465
		1,366	1,270
Amounts due from associates	(c)	446	318
Amounts due to associates	(d)	5	29

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

	2011 RMB'million	2010 RMB'million
Total assets	10,868	8,822
Total liabilities	(8,294)	(6,564)
Net assets	2,574	2,258
Group's share of net assets of associates	1,057	920

	2011 RMB'million	2010 RMB'million
Revenue	372	–
Profit for the year	224	94
Group's share of results of associates for the year	137	58

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast, an associate of the Group, for financing the development of Dalian Tiandi project. Pursuant to the Joint Venture Agreement dated 25 May 2007, the loans are unsecured, interest-free and with no fixed terms of repayment until Many Gain, a shareholder of Richcoast which is an independent third party, has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 5.4% (31 December 2010: 5.4%) per annum.

(b) These loans to associates represent the loans to subsidiaries of Richcoast are unsecured, interest bearing at a rate of 5% per annum and with no fixed terms of repayment.

(c) The amounts due from associates are unsecured, interest bearing at 6.1% (31 December 2010: 5.7%) per annum and repayable on demand.

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

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES/AMOUNTS DUE TO ASSOCIATES (CONTINUED)

Particulars of the Group's principal associates at 31 December 2011 and 31 December 2010 are as follows:

Name of associate	Form of legal entity	Proportion of nominal value of issued ordinary share capital/registered capital held by the Group	Place of incorporation/registration and operations	Principal activities
Richcoast Group Limited ("Richcoast") (notes 1 and 2)	Sino-Foreign Joint Venture	61.54%	British Virgin Islands ("BVI")	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Ruisheng Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Delan Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Fazhan Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Kaifa Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
88 Tiandi (BVI) Limited	Limited liability company	40%	BVI	Investment holding
88 Tiandi (BVI) Alpha Limited	Limited liability company	40%	BVI	Investment holding
88 Tiandi Limited	Limited liability company	40%	Hong Kong	Hotel management

Notes:

1. The Group does not have control over Richcoast because the Group has the power to appoint only 4 out of the 10 directors of that company.
2. Pursuant to the Joint Venture Agreement dated 25 May 2007 entered into among Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of SOCAM Development Limited ("SOCAM", an associate of Shui On Company Limited "SOCL", a substantial shareholder of the Company which has significant influence over the Company) and Many Gain International Limited ("Many Gain"), an independent third party, whereby the parties agreed to form a joint venture company, Richcoast, which is owned 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone, and Many Gain, respectively, for the development and operation of Dalian Tiandi project in Dalian, the PRC.
3. These companies are non-wholly owned subsidiaries of Richcoast.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	2011 RMB'million	2010 RMB'million
Cost of investment, unlisted	–	–
Share of post-acquisition losses	–	–
	–	–
Amount due from a jointly controlled entity	11	11
Less: Allowance	(11)	(11)
	–	–

Particulars of the Group's jointly controlled entity at 31 December 2011 and 2010 are as follows:

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

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

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2011 RMB'million	2010 RMB'million
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	86	64
Current accounts receivable comprise:		
Trade receivables	458	146
Prepayments of relocation costs (note)	1,815	1,304
Deposit for land acquisition	–	1,838
Other deposits, prepayments and receivables	230	316
	2,503	3,604

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

Trade receivables comprise:

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

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

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONTINUED)

The following is an ageing analysis (based on the repayment terms set out in the sales and purchase agreements or debit notes to the tenants) of trade receivables (net of allowance for bad and doubtful debts, if any) at the end of each reporting period:

	2011 RMB'million	2010 RMB'million
Not yet due	401	122
Past due within 30 days	32	20
Past due 31 – 60 days	23	1
Past due 61 – 90 days	1	-
Past due over 90 days	1	3
	458	146

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB57 million (2010: RMB24 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

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

	2011 RMB'million	2010 RMB'million
Past due within 30 days	32	20
Past due 31 – 60 days	23	1
Past due 61 – 90 days	1	–
Past due over 90 days	1	3
	57	24

Movement in the allowance for bad and doubtful debts:

	2011 RMB'million	2010 RMB'million
Balance at beginning of the year	–	–
Impairment losses recognised on trade receivables	–	4
Amounts written off as uncollectible	–	(4)
Balance at end of the year	–	–

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

20. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. Deposits amounting to RMB1,143 million (2010: RMB1,569 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

Bank balances carry interest at market rates which range from 0.5% to 1.5% (2010: 0.4% to 1.4%) per annum. Pledged bank deposits carry interest at fixed rates which range from 0.5% to 1.5% (2010: 0.4% to 1.4%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Restricted bank deposits of RMB335 million (2010: RMB243 million) represent deposits placed by the Group with banks which can only be applied to designated property development projects of the Group.

21. PROPERTIES HELD FOR SALE

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

22. LOANS RECEIVABLE

The amount represents entrusted loans which are denominated in RMB, unsecured, and carry fixed interest rates which range from 6.4% to 6.7% (2010: 5.9% to 6.4%) per annum and have been fully settled in March 2012.

23. AMOUNTS DUE FROM/TO RELATED COMPANIES

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

24. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

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

25. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2011 RMB'million	2010 RMB'million
Trade payables with ageing analysis (based on invoice date):		
0 – 30 days	**2,519**	1,751
31 – 60 days	**4**	1
61 – 90 days	**5**	1
Over 90 days	**11**	12
	2,539	1,765
Retention payables (note (a))	**224**	169
Deed tax, business tax and other tax payables	**397**	481
Deposits received and receipt in advance from property sales	**860**	2,074
Deposits received and receipt in advance in respect of rental of investment properties	**259**	242
Deposit received in respect of partial disposal of equity interests in subsidiaries (note (b))	**352**	–
Accrued charges	**437**	256
	5,068	4,987

Notes:

(a) Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.

(b) Pursuant to a sales and purchase agreement dated 29 November 2011, entered into between Shui On Development (Holding) Limited ("SOD") and Mitsui Fudosan Residential Co., Ltd. ("Mitsui", a non-controlling shareholder of an associate's subsidiary), SOD agreed to dispose of, and Mitsui agreed to acquire from SOD, SOD's 49% equity interests in relation to Value Land Limited ("Value Land", an indirect wholly owned subsidiary of the Company which engages in the property development in Foshan, the PRC), for a consideration of RMB391 million. An amount of RMB352 million was received in December 2011 and the remaining balance of RMB39 million would be received upon completion of the transaction pursuant to the terms of the sales and purchase agreement. Upon completion of the transaction, the Group will hold 51% equity interest in Value Land and still have control over Value Land.

26. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	2011 RMB'million	2010 RMB'million
Current	**–**	300
Non-current	**2,078**	1,653
	2,078	1,953

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

Denominated in	Interest rate per annum	2011 RMB'million	2010 RMB'million
RMB	110% (2010: 110%) of People's Bank of China ("PBOC") Prescribed Interest Rate (note a)	**1,460**	1,003
RMB	105.87% of PBOC Prescribed Interest Rate (2010: 105.87%) (note b)	**–**	300
United States dollars ("US$")	110% of PBOC Prescribed Interest Rate (2010: 110%) (note a)	**618**	650
		2,078	1,953

Notes:

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

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

27. BANK AND OTHER BORROWINGS

	2011 RMB'million	2010 RMB'million
Bank borrowings repayable within a period of:		
– Not more than 1 year or on demand	8,774	1,644
– More than 1 year, but not exceeding 2 years	3,490	6,321
– More than 2 years, but not exceeding 5 years	3,026	3,894
– More than 5 years	1,138	993
	16,428	12,852
Other borrowings repayable within a period of:		
– More than 1 year, but not exceeding 2 years	315	–
– More than 2 years, but not exceeding 5 years	–	331
	315	331
Total bank and other borrowings	16,743	13,183
Less: Amount due within one year shown under current liabilities	(8,774)	(1,644)
Amount due after one year	7,969	11,539

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

Denominated in	Interest rate	2011 RMB'million	2010 RMB'million
RMB	90% to 120% (2010: 90% to 115%) of PBOC Prescribed Interest Rate	6,760	4,576
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 2% to 4.5% (2010: HIBOR plus 2% to 4.5%)	9,166	8,276
US$	London Interbank Offered Rates ("LIBOR") plus 14% (2010: LIBOR plus 14%)	315	331
US$	Singapore Interbank Offered Rates ("SIBOR") plus 2.75% to 3.5% (2010: nil)	502	–
		16,743	13,183

As at 31 December 2011, the weighted average effective interest rate on the bank and other borrowings was 4.9% (2010: 4.4%), and are further analysed as follows:

	2011	2010
Denominated in RMB	6.8%	5.7%
Denominated in HK$	3.3%	3.3%
Denominated in US$	7.8%	14.3%

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

28. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2010	12,000,000,000	30,000	5,022,656,888	12,556
Issue of shares in lieu of cash dividends (note 11)	–	–	188,931,093	473
At 31 December 2010 and 31 December 2011	**12,000,000,000**	**30,000**	**5,211,587,981**	**13,029**

	2011	2010
	RMB'million	RMB'million
Shown in the consolidated statement of financial position as	**102**	102

29. RESERVES

(a) Merger reserve represents the aggregate of:

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

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

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

(b) Special reserve comprise:

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

During the year ended 31 December 2011, an amount of RMB40 million (2010: RMB30 million) was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates.

(ii) An amount of RMB104 million recognised against the special reserve in the current year represents the difference between the fair value of the consideration paid and the carrying value of the net assets attributable to the additional interest in a residential development on a parcel of land of the Rui Hong Xin Cheng project.

(c) Other reserves comprise:

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

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

29. RESERVES (CONTINUED)

(c) Other reserves comprise: (Continued)

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

(iv) An amount of RMB34 million recognised in the year ended 31 December 2010 represents the difference between the fair value of the consideration paid and the carrying value of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd. being acquired from the non-controlling interests in 2010.

30. CONVERTIBLE BONDS

On 29 September 2010, the Company issued RMB denominated US$ settled 4.5% convertible bonds with the aggregate principal amount of RMB2,720 million with initial conversion price of HK$4.87 at a fixed exchange rate of RMB1.00 to HK$1.1439. An adjustment had been made to the conversion price from HK$4.87 to HK$4.65 as a result of the dividends paid since the convertible bonds were issued.

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

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

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

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

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

	2011 **RMB'million**	2010 RMB'million
At 1 January	**2,117**	–
Issue of convertible bonds	**–**	2,115
Expenses on issue of convertible bonds	**–**	(54)
Interest charged during the year	**230**	56
Less: Interest paid	**(122)**	–
At 31 December	**2,225**	2,117

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

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

31. NOTES

	2011 RMB'million	2010 RMB'million
At 1 January	2,945	–
Issue of senior notes due 2015/due 2013	3,500	3,000
Expenses on issue of senior notes	(70)	(60)
Interest charged during the year	485	5
Less: Interest paid	(340)	–
At 31 December	6,520	2,945

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

On 26 January 2011, SOD further issued RMB3,500 million senior notes to independent third parties with a maturity of four years due on 26 January 2015 (the "2015 RMB Notes"). The 2015 RMB Notes are denominated in RMB and settled in US dollars, and bear coupon at 7.625% per annum payable semi-annually in arrears.

The principal terms of the notes

The 2013 RMB Notes are:

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

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

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

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

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

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

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

31. NOTES (CONTINUED)

The principal terms of the notes (Continued)

The 2015 RMB Notes are:

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

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

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

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

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

At any time prior to the date of maturity of the 2015 RMB Notes, SOD may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2015 RMB Notes.

At anytime on or before all the 2015 RMB Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to the shareholders' after taking into account certain adjustments prescribed in the terms of the 2015 RMB Notes.

32. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

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

At 31 December 2011 and 31 December 2010, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interests at variable rates at HIBOR and pay interests at fixed rates ranging from 0.69% to 3.58% (2010: 0.95% to 3.58%) based on the notional amounts of HK$8,210 million (2010: HK$5,581 million) in aggregate. The Group has designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group amounting to HK$8,210 million (2010: HK$5,581 million) which bear variable interest rates at HIBOR plus spread ranging from 2.4% to 3.65% (2010: 2.75% to 3.65%) and mature on or before March 2014. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the year ended 31 December 2011, fair value gain arising from the interest rate swaps of RMB68 million (2010: fair value loss of RMB7 million) has been deferred in equity as hedge reserve, which is expected to be recognised in the consolidated income statement at various dates upon the interest payments of the related bank borrowings are expected to settle.

33. DEFERRED TAX ASSETS/LIABILITIES

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

	Accelerated tax depreciation RMB'million	Revaluation of investment properties RMB'million	Tax losses RMB'million	Recognition of sales and related cost of sales RMB' million	Withholding tax on income derived in the PRC RMB' million	Others RMB' million	Total RMB' million
At 1 January 2010	913	1,264	(40)	(69)	52	(67)	2,053
Charge (credit) to consolidated income statement	112	678	20	34	76	(113)	807
Transfer to current taxation	–	(11)	–	–	(10)	–	(21)
At 31 December 2010	1,025	1,931	(20)	(35)	118	(180)	2,839
Charge (credit) to consolidated income statement	**80**	**674**	**3**	**1**	**70**	**21**	**849**
Transfer to current taxation	**–**	**(79)**	**–**	**(25)**	**(2)**	**(26)**	**(132)**
At 31 December 2011	**1,105**	**2,526**	**(17)**	**(59)**	**186**	**(185)**	**3,556**

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

	2011 RMB'million	2010 RMB'million
Deferred tax assets	**(154)**	(162)
Deferred tax liabilities	**3,710**	3,001
	3,556	2,839

At the end of the reporting period, the Group has unused tax losses of RMB267 million (2010: RMB511 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB66 million (2010: RMB79 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB201 million (2010: RMB432 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2011 RMB'million	2010 RMB'million
2011	**–**	44
2012	**7**	73
2013	**135**	241
2014	**7**	19
2015	**43**	55
2016	**9**	–
	201	432

34. PROVIDENT AND RETIREMENT FUND SCHEMES

Hong Kong

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

The MPF Scheme

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

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff costs during the year ended 31 December 2011 are less than RMB1 million.

The Plan

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

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation are carried out at 31 December 2011 and 31 December 2010 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost are measured using the Projected Unit Credit Method.

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

		2011		2010
Discount rate		**1.4%**		2.7%
Expected rate of salary increase	**2012+:**	**5.0%**	2011+:	5.0%
Expected rate of return on plan assets		**7.0%**		7.0%

The actuarial valuation shows that the fair value of the plan assets attributable to the Group at 31 December 2011 was RMB33 million (2010: RMB54 million), representing 38% (2010: 63%) of the benefits that has accrued to members.

34. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (Continued)

The Plan (Continued)

Amounts recognised in the consolidated income statement for the year ended 31 December 2011 and 31 December 2010 in respect of the defined benefit plan are as follows:

	2011 RMB'million	2010 RMB'million
Current service cost	3	3
Interest cost	2	2
Expected return on plan assets	(3)	(4)
Net actuarial losses recognised during the year	2	3
Net amount charged to consolidated income statement as staff costs	4	4

The actual returns on plan assets allocated to the Group for the year ended 31 December 2011 are gains of RMB5 million (2010: RMB6 million).

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

	2011 RMB'million	2010 RMB'million
Present value of funded defined benefit obligations	86	85
Unrecognised actuarial losses	(46)	(27)
Fair value of plan assets	(33)	(53)
Defined benefit liabilities	7	5

Movements in the present value of the funded defined benefit obligations are as follows:

	2011 RMB'million	2010 RMB'million
At 1 January	85	94
Exchange realignment	(3)	(2)
Current service cost	3	3
Interest cost	2	2
Contributions from plan participants	1	1
Actuarial losses (gains)	15	(3)
Benefits paid	(17)	(10)
At 31 December	86	85

34. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (Continued)

The Plan (Continued)

Movements in the fair value of the plan assets are as follows:

	2011 RMB'million	2010 RMB'million
At 1 January	**(53)**	(57)
Exchange realignment	**3**	2
Expected return on plan assets	**(3)**	(4)
Actuarial losses (gains)	**6**	(2)
Contributions from the employer	**(2)**	(1)
Contributions from plan participants	**(1)**	(1)
Benefits paid	**17**	10
At 31 December	**(33)**	(53)

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

	2011 RMB'million	2010 RMB'million
Equities	**18**	30
Hedge funds	**7**	12
Bonds and cash	**8**	11
	33	53

The Group expects to make a contribution of RMB3 million (2010: RMB2 million) to the defined benefit plans during the next financial year.

PRC

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

35. ACQUISITIONS OF A SUBSIDIARY AND ADDITIONAL INTERESTS IN SUBSIDIARIES

(a) Acquisition of a subsidiary

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

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

The net assets acquired in the transaction were as follows:

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

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

(b) Acquisition of additional interests in subsidiaries

(i) Pursuant to a supplementary shareholder agreement entered into between SOD, Foresight Profits Limited ("Foresight"), Hollyfield Holdings Limited, Selfers Limited, Silomax Limited (indirect subsidiaries of the Company) and Elegant Partners Limited ("EPL", a non-controlling shareholder which owns 24.75% of equity interest in Foresight which indirectly owns all ownership interest in a PRC enterprise which is engaged in Rui Hong Xin Cheng project) dated 1 April 2011, EPL agreed to dispose of, and SOD agreed to acquire from EPL, EPL's rights and interests in relation to a particular phase of the Rui Hong Xin Cheng project for a consideration of RMB378 million.

EPL agreed that the consideration of RMB378 million was advanced to Foresight to finance the Rui Hong Xin Cheng project, which is included in loan from non-controlling shareholder of subsidiaries. The amount owed to EPL is unsecured, interest bearing at 110% of PBOC Prescribed Interest Rate and will not be demanded for payment, until Foresight is in a position to repay the loan, which is to be mutually agreed between both parties. The Directors are in the opinion that the loan is not repayable in the next twelve months from the end of the reporting period.

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

The difference of RMB34 million between the excess of the Group's share of additional interest in the carrying amount of the net assets of KIC attributable to the acquisition over the cost of the acquisition were recognised directly in equity for the year ended 31 December 2010 (note 29(c)).

36. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2011, the Group disposed of certain subsidiaries which were engaged in the property development of a project in Hangzhou, the PRC to an independent third party for a cash consideration RMB438 million. The net assets disposed of in the transaction were as follows:

	RMB'million
Investment properties under construction or development	348
Bank balances and cash	96
Other payables and accrued charges	(6)
Net assets disposed of	438
Consideration received	438
Gain on disposal	–
Cash consideration in cash and cash equivalent	438
Less: cash and cash equivalent balances disposed of	(96)
Net cash inflow on disposal of subsidiaries	342

During the years ended 31 December 2011 and 31 December 2010, the disposed subsidiaries do not contribute any turnover or results to the Group.

37. SHARE-BASED PAYMENT TRANSACTIONS

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

At 31 December 2011, 112,704,751 share options (2010: 142,152,612 share options) remains outstanding under the Scheme, representing 2.2% (2010: 2.7%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

No share options are granted during the years ended 31 December 2011 and 31 December 2010.

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

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

37. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

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

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

The share options granted to Independent Non-executive Directors, a resigned Non-executive Director and a consultant are unconditional and fully vested at the date of grant and exercisable on or before the 5th anniversary to the date of grant.

The Group has recognised the total expense of RMB15 million (2010: RMB19 million) in the consolidated income statement in relation to share options granted by the Company.

During the years ended 31 December 2011 and 31 December 2010, none of the share options have been exercised.

37. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

Date of grant	Exercise price HK$	Number of options At 1 January 2011	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2011
20 June 2007	**7.00**	**91,390,892**	–	–	**(19,215,479)**	**72,175,413**
1 August 2007	**8.18**	**1,109,933**	–	–	**(301,302)**	**808,631**
2 October 2007	**10.00**	**2,066,456**	–	–	**(386,734)**	**1,679,722**
1 November 2007	**11.78**	**724,550**	–	–	**(226,695)**	**497,855**
3 December 2007	**9.88**	**580,866**	–	–	**(464,710)**	**116,156**
2 January 2008	**8.97**	**3,178,009**	–	–	**(329,607)**	**2,848,402**
1 February 2008	**8.05**	**1,444,882**	–	–	**(174,890)**	**1,269,992**
3 March 2008	**7.68**	**633,008**	–	–	**(142,627)**	**490,381**
2 May 2008	**7.93**	**5,421,932**	–	–	**(981,278)**	**4,440,654**
2 June 2008	**7.34**	**13,665,712**	–	–	**(3,095,133)**	**10,570,579**
2 July 2008	**6.46**	**947,231**	–	–	**(250,694)**	**696,537**
4 September 2009	**4.90**	**20,989,141**	–	–	**(3,878,712)**	**17,110,429**
		142,152,612	–	–	**(29,447,861)**	**112,704,751**
Number of options exercisable		**35,906,115**				**43,104,768**

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

38. PLEDGE OF ASSETS

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

	2011	2010
	RMB'million	RMB'million
Investment properties	**20,959**	17,091
Property, plant and equipment	**592**	114
Prepaid lease payments	**41**	42
Properties under development for sale	**4,537**	6,065
Properties held for sale	**266**	33
Accounts receivable	**56**	45
Bank deposits	**2,512**	1,885
	28,963	25,275

Included in pledged bank deposits above is an amount of RMB265 million (2010: RMB265 million) which has been pledged to a bank to secure the banking facilities granted to an associate. All the other assets are pledged to secure banking facilities granted to the Group.

In addition, the equity interests in certain subsidiaries with carrying amount of net assets of RMB15,688 million (2010: RMB9,457 million) are also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

39. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned, net of outgoings of RMB122 million (2010: RMB99 million), is RMB622 million (2010: RMB498 million). The investment properties held have committed tenants for the next one to eleven years at fixed rentals. Certain leases contain contingent rental income recognised during the year ended 31 December 2011 amounting to RMB15 million (2010: RMB12 million). These contingent rentals are generally based on specified percentages of turnover of the tenants.

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

	2011	2010
	RMB'million	RMB'million
Within one year	**765**	615
In the second to fifth years inclusive	**1,196**	1,005
Over five years	**93**	117
	2,054	1,737

39. LEASE ARRANGEMENTS (CONTINUED)

As lessee

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

	2011 **RMB'million**	2010 RMB'million
Within one year	**95**	44
In the second to fifth years inclusive	**60**	39
Over five years	**54**	72
	209	155

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

40. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

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

	2011 **RMB'million**	2010 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	**5,278**	4,673
Development costs for properties under development held for sale	**6,689**	9,906
	11,967	14,579

(ii) Pursuant to an agreement entered into with the 上海市虹口區衛生局 of the Hongkou District, Shanghai, the PRC on 20 June 2006, the Group had committed to build a hospital to be located in the Rui Hong Xin Cheng area of the Hongkou District as compensation for the removal of those medical and health care services originally located in that area. As at 31 December 2011 and 2010, no construction contracts related to the hospital have been entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

40. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingent liabilities

Financial guarantee contracts:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2010: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2011, no amount has been drawn down under this arrangement (2010: nil).

(ii) As at 31 December 2011, the Group has issued guarantees amounting to RMB265 million (2010: RMB265 million) to banks in respect of banking facilities granted to an associate, in which the associate has drawn down bank loans amounting to RMB250 million (2010: RMB250 million).

(iii) As at 31 December 2011, the Group has provided a guarantee to a joint venture, which was formed between Richcoast and Mitsui, and Mitsui for an amount not exceeding RMB345 million (2010: nil) in respect of Richcoast's payment obligations to the joint venture and Mitsui.

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2011 and 31 December 2010. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

41. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 10, 17, 18, 23, 24, 25(b), 26 and 40, the Group has the following transactions with related parties during the year:

	2011 RMB'million	2010 RMB'million
SOCL and its subsidiaries		
Rental and building management fee expenses	30	32
Travelling expenses	11	17
Project management fee income	15	17
SOCAM and its subsidiaries		
Project construction costs	746	466
Property sales	19	–
Associates		
Project management fee income	19	22
Imputed interest income	33	36
Interest income	35	31
Non-controlling shareholders of subsidiaries		
Guarantee fee income	–	19
Interest expenses	151	125
Project management fee expenses	12	8
Jointly controlled entity		
Rental and building management fee income	4	4
Directors		
Property sales	4	–
Senior management		
Property sales	3	20
Remunerations	35	29
Share option expenses	4	3

42. EVENTS AFTER THE REPORTING PERIOD

(a) In January 2012, Shui On Development (Singapore) Pte. Ltd., a wholly owned subsidiary of the Company, issued Singapore dollar 250 million senior notes with a maturity of three years due on 26 January 2015 (the "2015 SGD Notes"). The 2015 SGD Notes bear coupon at 8% per annum payable semi-annually in arrears.

(b) In February 2012, SOD issued US$475 million senior notes with a maturity of three years due on 16 February 2015 (the "2015 US$ Notes"). The 2015 US$ Notes bear coupon at 9.75% per annum payable semi-annually in arrears.

(c) Pursuant to a sale and purchase agreement dated 9 September 2011 entered into between Rich Bright Holdings Limited ("Rich Bright", an indirect wholly-owned subsidiary of the Company), as purchaser and Cassidy Enterprises Corp. ("Cassidy", an indirect wholly-owned subsidiary of SOI) and SOI, as sellers, Rich Bright agreed to acquire from Cassidy and SOI, respectively, the entire equity interest in Rimmer Investments Limited ("Rimmer", which indirectly owns Shui On Plaza, an office and retail complex located at Huangpu District, Shanghai, the PRC; and 24% equity interest in Shanghai Xintiandi Plaza Business Co., Ltd., which is principally engaged in retail business) and 66.7% equity interest in Magic Garden Investments Limited ("Magic Garden", which indirectly owns Langham Xintiandi Hotel located at Huangpu District, Shanghai, the PRC) for an initial consideration of HK$2,086 million (equivalent to RMB1,694 million). For more information on the sale and purchase agreement, please refer to the announcement of the Company published on 9 September 2011 and the Company's circular dated 6 October 2011.

On 16 March 2012, the acquisitions of Rimmer and Magic Garden were completed and 613,529,412 new and fully paid ordinary shares of the Company were issued on the same date as consideration shares to SOI. These new shares ranked pari passu in all respect to the existing shares of the Company. Upon completion of the transaction, Rimmer and Magic Garden become subsidiaries of the Group.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, convertible bonds and notes disclosed in notes 27, 30 and 31, respectively net of bank balances and cash, restricted bank deposits and pledged bank deposits, and equity attributable to equity holders of the Company, comprising issued share capital and reserves, and non-controlling interests.

The Directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of convertible bonds, notes, bank and other borrowings over the sum of bank balances and cash (inclusive of restricted bank deposits and pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

The gearing ratios at the end of reporting dates are as follows:

	2011 **RMB'million**	2010 RMB'million
Bank and other borrowings	**16,743**	13,183
Convertible bonds	**2,225**	2,117
Notes	**6,520**	2,945
Pledged bank deposits	**(2,512)**	(1,885)
Restricted bank deposits	**(335)**	(243)
Bank balances and cash	**(3,523)**	(4,662)
Net debt	**19,118**	11,455
Total equity	**29,471**	26,028
Net debt to total equity	**65%**	44%

44. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2011 RMB'million	2010 RMB'million
Financial assets		
Loans and receivables (including bank balances and cash)	11,185	12,730
Financial liabilities		
Derivative instruments designated as hedging instruments	150	218
Amortised cost	32,199	23,697

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, restricted bank deposits, bank balances and cash, accounts payable, amounts due to related companies, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries and bank borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2011 RMB'million	2010 RMB'million
HK$		
Assets	2,470	2,469
Liabilities	9,249	8,365
US$		
Assets	34	1,374
Liabilities	1,507	1,032

44. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Notes	**2011** **RMB'million**	2010 RMB'million
HK$			
Profit or loss	(i)	**323**	281
US$			
Profit or loss	(ii)	**70**	(16)

Notes:

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HK$ not subject to cash flow hedges at year end.

(ii) This is mainly attributable to the exposure outstanding on receivables and payables denominated in US$ not subject to cash flow hedges at year end.

The Group's sensitivity to foreign currency has increased in profit during the current year mainly due to both the significant depreciation of HK$ and US$ against RMB and increase in foreign currency bank borrowings.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings at variable rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR, SIBOR, and PBOC prescribed interest rate arising from the Group's HK$, US$ and RMB borrowings. In order to mitigate the cash flow interest rate risk, the Group has entered into several interest rate swaps (which have been designated as hedging instruments) whereby the Group will receive interest at variable rates at HIBOR and pay interests at fixed rates. Details of the interest rate swaps are set out in note 32.

44. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank and other borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by RMB13 million (2010: decrease/increase by RMB10 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings, after taking into consideration the effects of the interest rate swaps designated as hedging instruments.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

Credit risk

The Group's principal financial assets are bank balances and cash, restricted bank deposits, pledged bank deposits, accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries and amounts due from related companies, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its loans to associates, accounts receivable, loans receivable and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2011 where the largest debtor amounting to approximately RMB227 million (2010: RMB68 million) arising from sales of properties, loans to associates of RMB1,366 million (2010: RMB1,270 million) and loans receivable of RMB152 million (2010: RMB597 million).

The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that settle on a net basis, undiscounted net cash outflows are presented.

44. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2011
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2011							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges		3,856	–	–	–	3,856	3,856
Bank and other borrowings at variable rates	4.8%	9,402	4,197	3,458	1,263	18,320	16,743
Convertible bonds	10.7%	122	3,056	–	–	3,178	2,225
Notes	7.8%	473	3,473	3,900	–	7,846	6,520
Amounts due to related companies		368	–	–	–	368	368
Amounts due to associates		5	–	–	–	5	5
Amounts due to non-controlling shareholders of subsidiaries		404	–	–	–	404	404
Loans from non-controlling shareholders of subsidiaries							
– variable rate	7.2%	150	150	450	2,228	2,978	2,078
Financial guarantee contracts	–	610	–	–	–	610	–
		15,390	10,876	7,808	3,491	37,565	32,199
Derivatives – net settlement							
Cash flow hedge instruments		144	–	–	–	144	150

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2010
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2010							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	2,913	–	–	–	2,913	2,913
Bank and other borrowings at variable rates	4.4%	2,195	6,748	4,648	1,135	14,726	13,183
Convertible bonds	10.7%	122	122	3,087	–	3,331	2,117
Notes	7.5%	206	206	3,206	–	3,618	2,945
Amounts due to related companies		95	–	–	–	95	95
Amounts due to associates		29	–	–	–	29	29
Amounts due to non-controlling shareholders of subsidiaries		462	–	–	–	462	462
Loans from non-controlling shareholders of subsidiaries							
– variable rate	6.1%	407	101	303	1,754	2,565	1,953
Financial guarantee contracts	–	265	–	–	–	265	–
		6,694	7,177	11,244	2,889	28,004	23,697
Derivatives – net settlement							
Cash flow hedge instruments		130	130	–	–	260	218

44. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

c. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions as inputs; and

- the fair values of derivative instruments, are calculated using quoted prices as inputs. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

d. Fair value measurements recognised in the consolidated statement of financial position

Included in other comprehensive income is a gain of RMB68 million (2010: loss of RMB7 million) related to interest rate swaps designated in cash flow hedge held at the end of the reporting period.

45. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011 **RMB'million**	2010 RMB'million
Investments in subsidiaries	**2,413**	2,413
Loan to a subsidiary	**7,153**	6,747
Amounts due from subsidiaries	**4,149**	4,014
Other prepayment	**22**	22
Bank balances	**1**	604
Total assets	**13,738**	13,800
Convertible bonds	**2,225**	2,117
Total liabilities	**2,225**	2,117
Net assets	**11,513**	11,683
Share capital	**102**	102
Reserves	**11,411**	11,581
Total equity	**11,513**	11,683

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2011 and 31 December 2010 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2011 (Note 1)	Attributable equity interest held 2010 (Note 1)	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Xintiandi Company Limited	Hong Kong 4 April 2011	1 ordinary share of HK$1	100%	–	Hong Kong	Dormant
China Xintiandi Company Limited	BVI 21 March 2011	1 ordinary share of US$1	100%	–	Hong Kong	Investment holding
China Xintiandi Company Limited	Cayman Islands 18 April 2011	1 ordinary share of US$0.01	100%	–	Hong Kong	Investment holding
China Xintiandi Development Company Limited	Cayman Islands 3 November 2011	1 ordinary share of US$0.01	100%	–	Hong Kong	Investment holding
China Xintiandi Holding Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	–	Hong Kong	Investment holding
China Xintiandi Investment Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	–	Hong Kong	Investment holding
China Xintiandi Property Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	–	Hong Kong	Investment holding

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2011 (Note 1)	Attributable equity interest held 2010	Place of operation	Principal activities
Chongqing Shui On Tiandi Property Development Co. Ltd.	PRC 21 November 2003	Registered and paid up capital US$359,000,000	79.4%	79.4%	PRC	Property development and property investment
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Dalian Yingjia Science and Technology Development Co., Ltd.	PRC 3 December 2009	Registered and paid up capital US$23,000,000	100%	100%	PRC	Science and technology development
East Capital Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Excellent Win Enterprises Limited	Hong Kong 5 February 2010	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	100 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd.	PRC 25 April 2008	Registered capital RMB690,000,000 Paid up capital RMB280,744,034	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd.	PRC 21 May 2008	Registered capital RMB690,000,000 Paid up capital RMB607,261,359	100%	100%	PRC	Property development

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2011 (Note 1)	Attributable equity interest held 2010 (Note 1)	Place of operation	Principal activities
Fo Shan Rui Kang Tian Di Property Development Co., Ltd.	PRC 21 May 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Ying Kong Hotel Management Co., Ltd.	PRC 2 August 2011	Registered and paid up capital RMB1,000,000	100%	–	PRC	Hotel management
Fo Shan Yong Rui Tian Di Property Development Co., Ltd.	PRC 21 March 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Tiandi Trading Co., Ltd.	PRC 3 August 2010	Registered and paid up capital RMB1,000,000	100%	100%	PRC	Retail business
Fuhui Limited	BVI 1 April 2010	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Firm Gain Investments Limited	BVI 26 July 2011	1 ordinary share of US$1	100%	–	Hong Kong	Dormant
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Grand Hope Limited (Note 4)	Hong Kong 14 March 2003	100 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each	A shares: 80.2% B shares: 60.15%	A shares: 80.2% B shares: 60.15%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Co., Ltd.	PRC 6 March 2003	Registered and paid up capital US$7,000,000	100%	100%	PRC	Property management
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2011	Attributable equity interest held 2010 (Note 1)	Place of operation	Principal activities
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Land Pacific Limited	Hong Kong 2 November 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	51%	51%	Hong Kong	Investment holding
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	10 A ordinary shares of HK$1 each and 10 B ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Nation Development Limited	Hong Kong 26 October 2010	1 ordinary share of HK$1	100%	–	Hong Kong	Dormant
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2011 (Note 1)	Attributable equity interest held 2010 (Note 1)	Place of operation	Principal activities
New Venture Enterprises Limited	Hong Kong 26 October 2010	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	100 ordinary shares of US$1 each	51%	51%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rich Bright Holdings Limited	BVI 29 July 2011	1 ordinary share of US$1	100%	–	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	60.15%	60.15%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	100 ordinary shares of US$1	80.2%	80.2%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	97%	PRC	Property development and property investment
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$35,773,000	99%	99%	PRC	Property development
Shanghai Fu Xiang Properties Co., Ltd.	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	PRC	Property development and property investment

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2011 (Note 1)	Attributable equity interest held 2010 (Note 1)	Place of operation	Principal activities
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	97%	PRC	Property development and property investment
Shanghai Jing Fu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
Shanghai Jun Xing Property Co., Ltd. (note 5)	PRC 5 March 2009	Registered Capital RMB1,902,500,000 Paid up capital RMB1,311,076,115	49.98%	49.98%	PRC	Property development
Shanghai Knowledge and Innovation Community Development Co., Ltd	PRC 9 June 2010	Registered and paid up capital RMB1,550,000,000	99%	99%	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	99%	99%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd.	PRC 20 February 2004	Registered and paid up capital US$180,500,000	99%	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd.	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	75%	75%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd.	PRC 28 December 2010	Registered and paid up capital RMB3,900,000,000	100%	100%	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered and paid up capital RMB4,800,000,000	74.25%	74.25%	PRC	Property development and property investment
Shanghai Rui Zhen Food & Beverage Co., Ltd.	PRC 7 November 2003	Registered and paid up capital US$6,420,000	99%	99%	PRC	Food and beverage services
Shanghai Shui On Club Business Management Co., Ltd.	PRC 29 July 2010	Registered and paid up capital RMB200,000	100%	100%	PRC	Provision of business management services
Shanghai Tai Ping Qiao Properties Management Co., Ltd.	PRC 31 August 2001	Registered and paid up capital US$200,000	99%	99%	PRC	Property management
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	99%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$115,000,000	99%	99%	PRC	Property development

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2011 (Note 1)	Attributable equity interest held 2010 (Note 1)	Place of operation	Principal activities
Shanghai Yang Pu Centre Development Co., Ltd.	PRC 26 August 2003	Registered and paid up capital US$137,500,000	86.8%	86.8%	PRC	Property development and property investment
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding
Shui On Development (Singapore) Pte. Limited	Singapore 27 December 2011	1 ordinary share of US$10	100%	–	Singapore	Debt financing
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of management services
Shui On Resort Community (Dali) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Dali) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Limited	Hong Kong 5 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Limited	Hong Kong 25 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Yunnan) Development Limited	Cayman Islands 17 July 2006	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of secretarial services
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2011	Attributable equity interest held 2010 (Note 1)	Place of operation	Principal activities
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Taipingqiao Holding Company Limited	BVI 25 October 2011	1 ordinary share of US$1	100%	–	Hong Kong	Dormant
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Value Land Investment Limited	Cayman Islands 2 September 2011	10,000 ordinary shares of US$0.01 each	100%	–	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	PRC 2 August 2005	Registered and paid up capital US$288,000,000	75%	75%	PRC	Property development and property investment
上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd.*)	PRC 29 August 2002	Registered and paid up capital RMB100,000,000	75%	75%	PRC	Property development and property investment
上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*)	PRC 18 January 2004	Registered and paid up capital RMB12,079,950	100%	100%	PRC	Property management

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2011 (Note 1)	Attributable equity interest held 2010 (Note 1)	Place of operation	Principal activities
上海豐誠楊浦物業管理有限公司 (Shanghai Feng Cheng Yang Pu Property Management Co., Ltd*)	PRC 21 July 2010	Registered and paid up capital RMB500,000	100%	100%	PRC	Property management
上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*)	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	86.8%	86.8%	PRC	Property development
上海瑞展教育信息咨詢有限公司 (Shanghai Rui Zhan Education Information Consultant Co., Ltd.*)	PRC 20 April 2010	Registered and paid up capital RMB1,000,000	75%	75%	PRC	Provision of education information and consultancy services
上海瑞安房地產發展有限公司 (Shui On Development Limited*)	PRC 14 June 2004	Registered and paid up capital US$28,000,000	100%	100%	PRC	Provision of management services
武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*)	PRC 8 January 2007	Registered and paid up capital US$1,800,000	100%	100%	PRC	Retail business

Notes:

1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Dalian Yingjia Science and Technology Development Co., Ltd., Fo Shan An Ying Property Development Co., Ltd., Fo Shan Rui Dong Property Development Co., Ltd., Fo Shan Rui Fang Property Development Co., Ltd., Fo Shan Rui Kang Tian Di Property Development Co., Ltd., Fo Shan Shui On Property Development Co., Ltd., Fo Shan Yi Kang Property Development Co., Ltd., Fo Shan Ying Kong Hotel Management Co., Ltd., Fo Shan Yong Rui Tian Di Property Development Co., Ltd., Fo Shan Yuan Kang Property Development Co., Ltd., Fo Shan Shui On Taindi Trading Co., Ltd., Hangzhou Xihu Tiandi Management Co., Ltd., Shanghai IPO Food & Beverage Co., Ltd., Shanghai Rui Qiao Property Development Co., Ltd., Shanghai Shui On Club Business Management Co., Ltd., 上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*), 上海瑞安房地產發展有限公司 (Shui On Development Limited*) and 武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*) which are wholly foreign owned enterprises.
3. Except for Shui On Development (Holding) Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2011 or at any time during the year.
4. The holders of Class B ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Super Rise Project whereas the holders of Class A ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Shui On Tiandi Property Development Co., Ltd. other than the Chongqing Super High Rise Project.
5. The Group holds 51% equity interest in Portspin Limited, which indirectly holds 98% equity interest in Shanghai Jun Xing Property Co., Ltd. The Group's effective interest in Shanghai Jun Xing Property Co., Ltd. is therefore 49.98%.

* For identification purposes

FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT SUMMARY

for the year ended 31 December

	2007 RMB'million	2008 RMB'million	2009 RMB'million	2010 RMB'million	2011 RMB'million
Turnover	4,570	2,066	6,758	4,879	**8,484**
Profit attributable to shareholders	2,462	1,798	2,673	2,809	**3,428**
Non-controlling interests	405	270	(80)	201	**570**
Profit for the year	**2,867**	**2,068**	**2,593**	**3,010**	**3,998**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION SUMMARY

as of 31 December

	2007 RMB'million	2008 RMB'million	2009 RMB'million	2010 RMB'million	2011 RMB'million
Investment properties	7,994	8,466	21,206	26,893	**36,395**
Property, plant and equipment	260	343	356	540	**1,079**
Prepaid lease payments	4,325	6,290	43	73	**500**
Properties under development	8,015	10,197	11,532	14,308	**17,247**
Properties held for sale	325	3,090	627	627	**987**
Interests in and loans to associates	1,066	1,627	2,135	2,190	**2,423**
Accounts receivable, deposits and prepayments	3,789	1,270	992	3,668	**2,589**
Other assets	408	1,252	754	1,164	**1,014**
Pledged bank deposits, restricted bank deposits, bank balances and cash	3,697	3,380	4,947	6,790	**6,370**
Total assets	**29,879**	**35,915**	**42,592**	**56,253**	**68,604**
Current liabilities	8,828	8,100	8,838	8,747	**16,474**
Non-current liabilities	4,345	9,640	11,180	21,478	**22,659**
Total liabilities	**13,173**	**17,740**	**20,018**	**30,225**	**39,133**
Net assets	**16,706**	**18,175**	**22,574**	**26,028**	**29,471**
Equity attributable to:					
Shareholders of the Company	15,878	16,863	21,579	24,820	**27,945**
Non-controlling interests	828	1,312	995	1,208	**1,526**
Total equity	**16,706**	**18,175**	**22,574**	**26,028**	**29,471**

PER SHARE DATA

for the year ended 31 December

	2007	2008	2009	2010	2011
Basic earnings per share (RMB)	0.59	0.39	0.55	0.55	**0.66**
Dividend per share					
– Interim paid (HK$)	0.05	0.07	0.01	0.06	**0.025**
– Final proposed (HK$)	0.10	0.01	0.12	0.05	**0.100**
– Full year (HK$)	0.15	0.08	0.13	0.11	**0.125**
Bonus shares	–	1 for 10	–	–	**–**

Note:

The financial summary of the financial year 2007 as shown above have not been restated to account for the impact of the adoption of IFRIC 15 "Agreement for the Construction of Real Estate" issued by the IASB.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Vincent H. S. LO
(Chairman)

Mr. Freddy C. K. LEE
(Managing Director & Chief Executive Officer)

Mr. Daniel Y. K. WAN
(Managing Director & Chief Financial Officer)

Non-executive Director

Mr. Frankie Y. L. WONG

Independent Non-executive Directors

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

AUDIT COMMITTEE

Professor Gary C. BIDDLE *(Chairman)*
Dr. Roger L. McCARTHY
Mr. Frankie Y. L. WONG

REMUNERATION COMMITTEE

Dr. William K. L. FUNG *(Chairman)*
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

NOMINATION COMMITTEE

Mr. Vincent H. S. LO *(Chairman)*
Sir John R. H. BOND
Professor Gary C. BIDDLE

FINANCE COMMITTEE

Mr. Vincent H. S. LO *(Chairman)*
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Mr. Freddy C. K. LEE
Mr. Daniel Y. K. WAN
Mr. Frankie Y. L. WONG

COMPANY SECRETARY

Mr. UY Kim Lun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Freshfields Bruckhaus Deringer
Mayer Brown JSM

REGISTERED OFFICE

Walker House, 87 Mary Street
George Town
Grand Cayman KY1-9005
Cayman Islands

CORPORATE HEADQUARTERS

26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021, PRC

PLACE OF BUSINESS IN HONG KONG

34/F, Shui On Centre
6-8 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P. O. Box 609
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F,
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Hang Seng Bank Limited
Deutsche Bank AG
Bank of China Limited
Standard Chartered Bank Limited
China Merchants Bank Co., Limited
China Construction Bank Corporation

STOCK CODE

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