瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 272)

Announcement of 2007 Annual Results
For the year ended 31 December 2007

HIGHLIGHTS

- Landbank significantly increased by 56% to 13.1 million sq.m. of GFA (of which 10.0 million sq.m. are attributable to the Group) as at 31 December 2007 (31 December 2006: 8.4 million sq.m., of which 7.3 million sq.m. are attributable to the Group). The number of projects has increased to 8, spanning over 6 cities, namely Shanghai, Hangzhou, Chongqing, Wuhan, Dalian and Foshan (31 December 2006: 6 projects in 4 cities).
- A total of 138,000 sq.m. of residential GFA or 951 units were sold in the year (2006: 123,000 sq.m. or 870 units).
- Turnover was RMB4,570 million or HK$4,689 million, slightly reduced by 3% when compared to 2006 (2006: RMB4,729 million or HK$4,615 million) due mainly to the decision to launch the third phase of Lakeville (Lot 113) in planned phases over 2008 and 2009, thereby building on our continued success in Shanghai Taipingqiao.
- Profit attributable to shareholders was RMB2,462 million or HK$2,526 million, an increase of 115% over 2006 (2006: RMB1,146 million or HK$1,118 million).
- Excluding the effect of revaluation of investment properties and fair value adjustment on derivative financial instruments, the underlying profit attributable to shareholders was RMB2,060 million or HK$2,114 million, an increase of 34% over 2006 (2006: RMB1,536 million or HK$1,499 million).
- Earnings per share of RMB59 cents or HK61 cents (2006: RMB48 cents or HK47 cents).
- Recommended final dividend of HK10 cents per share. This, together with the interim dividend paid in 2007 of HK5 cents per share, represents an increase of 150% over 2006 (2006: final dividend of HK6 cents and interim dividend of nil).
- Total assets increased to approximately RMB30 billion, a 15% increase over 2006 (31 December 2006: RMB26 billion).
- Equity attributable to shareholders of the Company increased to approximately RMB16 billion (31 December 2006: RMB14 billion).
- Net gearing ratio moderately increased to 20% as at 31 December 2007 (31 December 2006: 5%).

Note: Except for dividend per share which 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 to HK$1.026 for 2007 and RMB1 to HK$0.976 for 2006, being the average exchange rates that prevailed during the respective years, in accordance with the International Accounting Standard 21 "Effects of Changes in Foreign Exchange Rates".

The Board of Directors (the “Board”) of Shui On Land Limited (the “Company” or “Shui On Land”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

	Notes	**2007**	2006
		(Expressed in RMB'million)	
			Restated (Note 2)
Turnover	*4*	**4,570**	4,729
Cost of sales		**(1,885)**	(1,589)
Gross profit		**2,685**	3,140
Other income		**269**	178
Selling and marketing expenses		**(114)**	(150)
General and administrative expenses		**(543)**	(335)
Other expenses	*5*	**(13)**	(658)
Operating profit	*6*	**2,284**	2,175
Increase in fair value of investment properties		**577**	145
Gain on acquisition of additional equity interests in subsidiaries		**80**	-
Gains on disposal and partial disposals of equity interests in subsidiaries		**845**	582
Share of results of associates		**26**	1
Finance costs	*7*	**(125)**	(118)
Profit before taxation		**3,687**	2,785
Taxation	*8*	**(820)**	(1,145)
Profit for the year		**2,867**	1,640
Attributable to:			
Shareholders of the Company		**2,462**	1,146
Minority interests		**405**	494
		2,867	1,640
Dividends	*9*		
Paid, 2007 interim dividend of HK5 cents per share (2006: nil)		**203**	-
Proposed, 2007 final dividend of HK10 cents per share (2006: HK6 cents per share)		**373**	248
		576	248
Earnings per share	*10*		
Basic		**RMB59 cents**	RMB48 cents
		HK61 cents	HK47 cents
Diluted		**RMB59 cents**	RMB38 cents
		HK61 cents	HK37 cents

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

	Notes	**(Expressed in RMB'million)** **2007**	2006
Non-current assets			
Investment properties		**7,994**	6,205
Property, plant and equipment		**260**	188
Prepaid lease payments		**4,325**	3,710
Properties under development		**1,734**	1,760
Interests in associates		**85**	3
Loans to associates		**981**	-
Accounts receivable		**312**	147
Pledged bank deposits		**237**	368
Defined benefit assets		**6**	5
Deferred tax assets		**89**	4
		16,023	12,390
Current assets			
Properties under development for sale		**6,281**	4,749
Properties held for sale		**325**	1,799
Accounts receivable, deposits and prepayments	*11*	**3,477**	1,447
Loan receivable		**240**	227
Amount due from an associate		**12**	2
Amounts due from related parties		**44**	100
Amount due from a minority shareholder of a subsidiary		**6**	6
Early redemption rights on notes		**11**	29
Pledged bank deposits		**617**	834
Bank balances and cash		**2,843**	4,452
		13,856	13,645
Current liabilities			
Accounts payable, deposits received and accrued charges	*12*	**1,768**	1,554
Amounts due to related parties		**39**	73
Amounts due to minority shareholders of subsidiaries		**876**	267
Loan from a minority shareholder of a subsidiary		**100**	-
Tax liabilities		**1,541**	252
Notes - due within one year		**2,667**	-
Bank borrowings - due within one year		**1,514**	1,683
Derivative financial instruments designated as hedging instruments		**323**	-
		8,828	3,829
Net current assets		**5,028**	9,816
Total assets less current liabilities		**21,051**	22,206

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 31 December 2007

	(Expressed in RMB'million)	
	2007	2006
Capital and reserves		
Share capital	**84**	84
Reserves	**15,794**	13,868
Equity attributable to shareholders of the Company	**15,878**	13,952
Minority interests	**828**	1,213
Total equity	**16,706**	15,165
Non-current liabilities		
Loan from a minority shareholder of a subsidiary	**93**	183
Notes – due after one year	**-**	2,762
Bank borrowings – due after one year	**2,891**	2,032
Deferred tax liabilities	**1,361**	2,057
Derivative financial instrument designated as hedging instrument	**-**	7
	4,345	7,041
	21,051	22,206

Notes to the consolidated financial statements:

1. General

The directors of the Company consider that its parent and ultimate holding company is Shui On Company Limited, a private limited liability company incorporated in the British Virgin Islands.

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

2. Presentation

In the current year, the comparative amounts have been restated to conform to the current year's presentation as follows:

(i) the presentation of consolidated income statement has been changed to function of expense method to reflect a more relevant and meaningful presentation.

(ii) the Land Appreciation Tax has been reclassified from cost of sales to taxation in the consolidated income statement.

3. Application of new and revised international financial reporting standards

In the current year, the Group has applied, for the first time, the following new International Financial Reporting Standard ("IFRS"), International Accounting Standard ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referral to as "new IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1 January 2007.

IAS 1 (Amendment)	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 7	Applying the Restatement Approach under IAS29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The adoption of the new IFRSs has no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under IAS 1 (Amendment) and IFRS 7 retrospectively. Certain information presented in prior year under the requirement of IAS 32 "Financial Instruments: Disclosure and Presentation" has been removed and the relevant comparative information based on the requirements of IAS 1 (Amendment) and IFRS 7 has been presented for the first time in the current year.

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

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 8	Operating Segments[1]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[3]
IFRIC 12	Service Concession Arrangements[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group except for the adoption of IFRS 3 (Revised) and IAS 27 (Revised). The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

4. Turnover and segmental information

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

	2007	2006
	RMB'million	RMB'million
Property development:		
Property sales	**4,085**	4,283
Property investment:		
Rental income from investment properties	**401**	358
Income from operations of serviced apartments	**25**	25
Property management fees	**19**	22
Rental related income	**29**	24
	474	429
Others	**11**	17
	4,570	4,729

Business segment

	For the year ended 31 December 2007			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
TURNOVER				
Segment sales	**4,085**	**474**	**11**	**4,570**
RESULTS				
Segment results	**2,151**	**915**	**9**	**3,075**
Interest income				**208**
Finance costs				**(125)**
Gains on disposals and partial disposals of equity interests in subsidiaries				**845**
Gain on acquisition of additional equity interests in subsidiaries				**80**
Share of results of associates				**26**
Net unallocated expenses				**(422)**
Profit before taxation				**3,687**
Taxation				**(820)**
Profit for the year				**2,867**

	As at 31 December 2007			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
BALANCE SHEET				
ASSETS				
Segment assets	**15,394**	**8,246**	**78**	**23,718**
Interests in associates				**85**
Loans to associates				**981**
Amount due from an associate				**12**
Unallocated corporate assets				**5,083**
Consolidated total assets				**29,879**
LIABILITIES				
Segment liabilities	**(1,445)**	**(215)**	**(3)**	**(1,663)**
Unallocated corporate liabilities				**(11,510)**
Consolidated total liabilities				**(13,173)**

	For the year ended 31 December 2006			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
TURNOVER				
Segment sales	4,283	429	17	4,729
RESULTS				
Segment results	2,616	431	(9)	3,038
Interest income				96
Finance costs				(118)
Gains on partial disposals of equity interests in subsidiaries				582
Share of results of associates				1
Loss on change in fair value of derivative financial instruments				(500)
Net unallocated expenses				(314)
Profit before taxation				2,785
Taxation				(1,145)
Profit for the year				1,640

	As at 31 December 2006			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
BALANCE SHEET				
ASSETS				
Segment assets	13,306	6,440	62	19,808
Interests in associates				3
Amount due from an associate				2
Unallocated corporate assets				6,222
Consolidated total assets				26,035
LIABILITIES				
Segment liabilities	(1,302)	(173)	(3)	(1,478)
Unallocated corporate liabilities				(9,392)
Consolidated total liabilities				(10,870)

Geographical segment

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

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

5. Other expenses

	2007 **RMB'million**	2006 RMB'million
Loss on change in fair value of warrants	**-**	357
Loss on change in fair value of conversion options of senior preference shares	**-**	143
Loss on change in fair value of derivative financial instruments	**-**	500
Transaction costs attributable to initial public offering	**-**	152
Donations to charitable organisations	**13**	6
	13	658

6. Operating profit

Operating profit has been arrived at after charging/(crediting):	**2007** **RMB'million**	2006 RMB'million
Allowance for bad and doubtful debts	**7**	1
Allowance for amount due from a jointly controlled entity	**-**	1
Auditor's remuneration	**6**	6
Depreciation of property, plant and equipment	**28**	28
Less: Amount capitalised to properties under development	**-**	(1)
	28	27
Release of prepaid lease payments	**100**	118
Less: Amount capitalised to properties under development	**(99)**	(117)
	1	1
Loss on disposal of property, plant and equipment	**1**	3
Employee benefits expenses		
Directors' emoluments	**20**	29
Other staff costs		
Salaries, bonuses and allowances	**266**	166
Share-based payment expenses	**36**	-
Retirement benefits costs	**22**	15
Total employee benefits expenses	**344**	210
Less: Amount capitalised to properties under development	**(82)**	(64)
	262	146
Cost of properties held for sale recognised as an expense	**1,790**	1,552
Rental charges under operating leases	**31**	24

7. Finance Costs

	2007 **RMB'million**	2006 RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**211**	213
Interest on amounts due to shareholders wholly repayable within five years	**-**	1
Interest on amount due to a minority shareholder of a subsidiary wholly repayable within five years	**4**	4
Imputed interest on loan from a minority shareholder of a subsidiary wholly repayable within five years	**10**	9
Interest on consideration payable on acquisition of additional interests in subsidiaries	**-**	32
Interest on convertible redeemable preference shares	**-**	273
Interest on notes	**329**	322
Less: Net interest income from cross currency interest swap	**(96)**	–
Total interest costs	**458**	854
Less: Amount capitalised to properties under development	**(358)**	(643)
	100	211
Loss/(gain) on change in fair value of early redemption rights on notes	**17**	(23)
Net exchange gain on financing activities	**(9)**	(78)
Other finance costs	**17**	8
	125	118

Borrowing cost capitalised during the year ended 31 December 2007 arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 4.7% (2006: 11.6%) to expenditure on the qualifying assets.

8. Taxation

	2007 **RMB'million**	2006 RMB'million Restated (note 2)
PRC Enterprise Income Tax:		
Current taxation		
- Provision for the year	**650**	167
- Underprovision in prior year	**-**	17
	650	184
Deferred taxation		
- Provision for the year	**289**	785
- Attributable to a change in tax rate of the PRC Enterprise Income Tax	**(343)**	-
	(54)	785
PRC Land Appreciation Tax ("LAT")	**224**	176
	820	1,145

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

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 33% on the assessable profits of the companies in the Group during the year.

On 16 March 2007, the PRC Government promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which changes the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT 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.

9. Dividends

	2007 **RMB'million**	2006 RMB'million
Interim dividend paid in respect of 2007 of HK5 cents per share (2006: nil)	**203**	-
Final dividend proposed in respect of 2007 of HK10 cents per share (2006: HK6 cents per share)	**373**	248
	576	248

In June 2007, a final dividend in respect of 2006 of HK6 cents (equivalent to RMB5.9 cents) per share was paid to the shareholders.

In October 2007, an interim dividend in respect of 2007 of HK5 cents (equivalent to RMB4.8 cents) (2006: nil) per share was paid to the shareholders.

The final dividend in respect of 2007 of HK10 cents (equivalent to RMB8.9 cents) per share has been proposed by the directors and is subject to approval by the Company's shareholders in the forthcoming annual general meeting.

10. 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	**2007 RMB'million**	2006 RMB'million
Earnings for the purposes of basic earnings per share, being profit for the year attributable to shareholders of the Company	**2,462**	1,146
Effect of dilutive potential shares:		
Interest on convertible redeemable preference shares charged to consolidated income statement	**-**	4
Loss on change in fair value of conversion options of senior preference shares	**-**	143
Earnings for the purpose of diluted earnings per share	**2,462**	1,293

Number of shares	**2007 'million**	2006 'million
Weighted average number of shares for the purposes of basic earnings per share	**4,185**	2,405
Effect of dilutive potential shares:		
Convertible redeemable preference shares	**-**	1,003
Additional consideration in respect of the Rainbow Sale and Purchase Agreement *(note (a))*	**-**	2
Share options issued by the Company	**15**	-
Weighted average number of shares for the purposes of diluted earnings per share	**4,200**	3,410

	2007	2006
Basic earnings per share (*note (b)*)	**RMB59 cents**	RMB48 cents
	HK61 cents	HK47 cents
Diluted earnings per share (*note (b)*)	**RMB59 cents**	RMB38 cents
	HK61 cents	HK37 cents

There are no dilution effects for the share options granted on 1 August 2007, 2 October 2007, 1 November 2007 and 3 December 2007 as the exercise price of these share options were higher than the average market price of the shares for the year.

note (a): Pursuant to the Rainbow Sale and Purchase Agreement dated 18 February 2004 entered into between Shui On Construction and Materials Limited ("SOCAM") as the vendor and the Company as the purchaser, the Company agreed to acquire from SOCAM the entire issued share capital of Foresight Profits Limited, which was completed on 31 May 2004.

In accordance with the Rainbow Sales and Purchase Agreement, SOCAM was entitled to receive additional consideration up to a maximum amount of US$8.8 million. The additional consideration shall be satisfied by the Company by way of allotment and issue to SOCAM of relevant number of ordinary shares of per value of US$0.01 each credited as fully paid and valued for this purpose at US$1 per share.

note (b): 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$1.026 for 2007 and RMB1.000 to HK$0.976 for 2006, being the average exchange rates that prevailed during the respective years, in accordance with the International Accounting Standard 21 "Effects of Changes in Foreign Exchange Rates".

11. Accounts receivable, deposits and prepayments

Current trade receivables aged analysis:

	2007 **RMB'million**	2006 RMB'million
Trade receivables		
Not yet due	**284**	190
Within 30 days	**4**	53
31 - 60 days	**23**	12
61 - 90 days	**1**	4
Over 90 days	**19**	33
	331	292
Consideration receivable on partial disposals of equity interests in subsidiaries	**1,136**	389
Prepayments of relocation costs	**558**	617
Deposit for land acquisition	**1,200**	-
Other deposits, prepayments and receivables	**252**	149
	3,477	1,447

Trade receivables comprise:

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

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

12. Accounts payable, deposits received and accrued charges

	2007 **RMB'million**	2006 RMB'million
Trade payables aged analysis:		
Not yet due	**495**	722
Within 30 days	**288**	14
31 - 60 days	**-**	-
61 - 90 days	**1**	-
Over 90 days	**1**	-
	785	736
Retention payables *(note)*	**78**	76
Deed tax, business tax and other tax payables	**555**	475
Deposits received and receipt in advance from property sales	**39**	20
Deposits received and receipt in advance in respect of rental of investment properties	**142**	124
Other payables and accrued charges	**169**	123
	1,768	1,554

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2007, the Group achieved a turnover of RMB4,570 million, 3% below the RMB4,729 million of 2006. The principal reason for the decline was because the third phase of Lakeville (Lot 113) will now be launched in planned phases over 2008 and 2009, thereby building on our continued success in Shanghai Taipingqiao. Similar to 2006, property sales accounted for approximately 89% of the turnover, with rental income and other related activities accounting for the remaining 11%.

The Group's profit attributable to shareholders of the Company for the year amounted to RMB2,462 million, an increase of 115% over 2006 (2006: RMB1,146 million).

Excluding the effect of revaluation of investment properties and fair value adjustment on derivative financial instruments, the Group's underlying profit attributable to shareholders of the Company was RMB2,060 million, an increase of 34% when compared to 2006 (2006: RMB1,536 million).

Property development

Shanghai Taipingqiao:
Construction of the third phase of Lakeville (Lot 113) is progressing as scheduled with the superstructure of towers 1, 2, 9 and 10 having been topped out, internal and external finishing work is now in progress. Pre-sale of certain of these units is expected to commence in early May 2008.

Relocation at Lots 126 and 127, on which 136,700 sq.m. of office and retail spaces is expected to be built, is progressing slower than expected with approximately half of the households having been relocated at the end of 2007.

Shanghai Rui Hong Xin Cheng:
Phase 3 of the development that comprises Lots 4, 6, and 8 is at the design stage. The site at Lot 8 has been relocated and piling work has been completed. Construction work is expected to commence shortly and is scheduled to complete in 2009. Approximately half the number of households on Lot 4 and one third on Lot 6 have been relocated at end of 2007. We expect to launch the pre-sale of the first batch of Phase 3 in 2009.

Shanghai Knowledge and Innovation Community:
Development works at Lots 7-7, 7-9 and 8-2 (KIC Village, R2) and KIC Plaza Phase 2 are all progressing as planned. As such, construction of the basement and superstructure at Lots 7-9 and 8-2 have been completed. Finishing works are now in progress and is expected to complete by mid-2008. In addition, piling work at Lot 7-7 is underway.

Hangzhou Xihu Tiandi:
Relocation is in progress at Phase 2 of Xihu Tiandi and targeted to complete before the end of 2008. Construction will commence in the fourth quarter of 2008 and is targeted to complete by end of 2010.

Chongqing Tiandi:
Construction of the first phase of the residential development, Lot B1-1/01 (The Riviera), is expected to be completed by the end of June 2008, providing 107,000 sq.m. or 784 units, all of which will then be available for pre-sale.

Demolition work has recently been completed at Lot B2-1/01 (the second phase of the residential development in this project) and construction work has commenced in April 2008. Development work at Lot B3/01 for commercial use is in progress and is expected to complete in early 2009.

Wuhan Tiandi:
In 2007, construction of the first batch of residential units located at Lot A9 (The Riverview) with 29,000 sq.m. of GFA or 187 units has been completed and sold in the fourth quarter of 2007, 1,000 sq.m. of GFA is presently held as showflats.

The superstructure of the second batch of residential units located at Lot A7 (The Riverview) with 39,000 sq.m. of GFA or 265 units has been completed with internal and external finishing work now in progress. Pre-sale of these units is expected to commence in the second quarter of 2008.

Piling work at Lots A6, A8 and A10 residential development all commenced in October 2007 and construction of the superstructure on these residential sites is expected to commence in the second quarter of 2008.

Lot A4-1 is completed and being leased out. Construction works at Lots A4-2 and A4-3 are in progress.

Dalian Tiandi·Software Hub:
Three sites at Huangnichuan Road North (known as W2-B, W3-A, and W3-B) have been acquired in March 2008. Together with the two sites (known as at W1-A and W2-A) that were acquired in June 2007, these sites would provide a planned GFA of approximately 1,765,000 sq.m. that comprises office, hotel, commercial and residential development, supported by school facilities. The specific control master plan has been approved by the planning bureau and consultants have started on conceptual design work.

Foshan Lingnan Tiandi:
The site at Foshan Lingnan Tiandi, comprising approximately 1.5 million sq.m. of GFA, has been successfully acquired in November 2007 and relocation is processing well. Demolition work is expected to commence soon. Lot D-1, being a vacated stadium is scheduled to be delivered to us in the second quarter of 2008. On this site, a hotel of approximately 25,000 sq.m. of GFA sitting on a commercial podium of 30,000 sq.m of GFA is currently being designed. In addition, a life style destination similar in concept to Shanghai Xintiandi of about 75,000 sq.m. of GFA comprising retail, culture, entertainment and historic restoration is also currently being designed and construction is expected to commence in the fourth quarter of 2008. This site is adjacent to a nationally renowned temple, a major tourist spot, known as "Zumiao".

During 2007 construction progressed according to plan. The amounts of saleable GFA completed in 2007 and that can be expected to be completed during each of the next three years are set out as follows:

	Saleable GFA (sq.m.)				Group's interest
Property development held for sale:	2007	2008	2009	2010	
Shanghai Taipingqiao, Lot 113 (Lakeville 3)	-	55,000	25,000	-	99.0%
Shanghai Rui Hong Xin Cheng, Lots 4, 6, 8 (Phase 3)	-	-	94,000	126,000	99.0%
Shanghai Knowledge and Innovation Community, Lots 7-7, 7-9, 8-2 (KIC Village, R2)	-	43,000	31,000	-	86.8%*
Shanghai Knowledge and Innovation Community, Lots 6-2, 6-3, 7-5, 7-6 (KIC Village, R3)	-	-	76,000	-	86.8%*
Shanghai Knowledge and Innovation Community, Lots 5-5, 5-7, 5-8	-	-	-	44,000	86.8%*
Chongqing Tiandi, Lots B1-1/01, B2-1/01 (The Riviera)	-	107,000	111,000	92,000	79.4%
Wuhan Tiandi, Lot A9 (The Riverview)	30,000	-	-	-	75.0%
Wuhan Tiandi, Lots A6, A7, A8, A10, A11,A12, B2,B5	-	39,000	86,000	163,000	75.0%
Dalian Tiandi・Software Hub	-	-	-	100,000	48.0%
Total saleable GFA (sq.m.)	30,000	244,000	423,000	525,000	

**: Agreement has been reached to increase the interest from 70% to 86.8%, subject to the approval by the relevant PRC government authorities.*

The amounts of leasable GFA completed in 2007 and that can be expected to be completed in each of the next three years are set out as follows:

	Leasable GFA (sq.m.)				Group's interest
Property development held for investment:	2007	2008	2009	2010	
Shanghai Taipingqiao, Lot 113 (Lakeville 3)	-	-	29,000	-	99.0%
Shanghai Rui Hong Xin Cheng, Lots 4, 6, 8 (Phase 3)	-	-	2,000	13,000	99.0%
Shanghai Knowledge and Innovation Community, Lots 7-7, 7-9, 8-2 (KIC Village, R2)	-	4,000	1,000	-	86.8%*
Shanghai Knowledge and Innovation Community, Lots 5-5, 5-7, 5-8	-	-	-	5,000	86.8%*
Shanghai Knowledge and Innovation Community Plaza Phase 2	-	-	60,000	-	86.8%*
Hangzhou Xihu Tiandi, Phase 2	-	-	-	30,000	100.0%
Chongqing Tiandi, Lots B1-1/01, B3/01, B2-1/01	-	5,000	55,000	6,000	79.4%
Wuhan Tiandi, Lots A4, A5	12,000	11,000	20,000	68,000	75.0%
Dalian Tiandi・Software Hub	-	-	-	250,000	48.0%
Foshan Lingnan Tiandi	-	-	-	90,000	100.0%
Total leasable GFA (sq.m.)	12,000	20,000	167,000	462,000	
Analysed by usage:					
Office	-	-	41,000	184,000	
Retail	12,000	20,000	109,000	169,000	
Others**	-	-	17,000	109,000	
	12,000	20,000	167,000	462,000	

**: Agreement has been reached to increase the interest from 70% to 86.8%, subject to the approval by the relevant PRC government authorities.*

***: Others represent hotels, service apartments and clubhouses*

It should be note that actual completion of construction in the future depends on our construction progress that may be affected by many factors including but without limitation, planning, relocation, construction, operational, managerial and financial resources, approval and regulatory changes and other factors within or beyond the control of the Group.

Property Sales

During the year, the Group had sold a total of approximately 138,000 sq.m. of residential GFA that generated sales, after business tax, of RMB4,085 million, (2006: 123,000 sq.m. and RMB4,283 million).

The property markets across the Chinese Mainland had been strong in 2007, particularly during the first half year, fueled by a number of macroeconomic factors, including the growth of the PRC economy, particularly the growth in the size and purchasing power of the upper and middle income earners, the appreciation of the Reminbi, and the PRC political, economic and regulatory environment.

Lot 114 (Lakeville Regency) of our Shanghai Taipingqiao project in Luwan District and Shanghai Knowledge and Innovation Community in Yangpu District sold very well in 2007. In that regard, 10,500 sq.m. or 62 units of Tower 12 and 11,300 sq.m or 61 units of Tower 9 of Lakeville Regency were launched for sale in April and July 2007, respectively. In both cases, almost all the units were sold within a few days. The average selling price of Lakeville Regency in 2007 was 9% higher than that achieved in 2006. A similar experience occurred at Shanghai Knowledge and Innovation Community where 9,850 sq.m. or 106 units of Lot 8-3, KIC Village R1 were sold over a weekend in June 2007. A further 44,000 sq.m. or 379 units of KIC Village R1 were sold in the second half 2007. The average selling price of such sales amounted to RMB18,700 per sq.m., approximately 17% higher than that achieved in 2006. Only approximately 12,000 sq.m. or 17% of the total saleable GFA launched for sale remained available at 31 December 2007.

The first phase of the residential development at Wuhan Tiandi, Lot A9 (The Riverview), comprising 30,000 sq.m. or 190 units were launched for sale in October 2007. All the GFA launched were sold out within hours on the first date of sale, commanding an average selling price of RMB13,500 per sq.m., thereby setting a new benchmark for high-end residential housing in Wuhan.

The inventory carried over from 2006 of 3,000 sq.m. in Shanghai Rui Hong Xin Cheng, Phase 2 was all sold in the first half of 2007.

An analysis of the GFA sold and our average selling prices in 2007 is set out below:

Project	Total GFA sold (sq.m.)	Average selling price (RMB/sq.m.)	Group's interest
Shanghai Taipingqiao, Lot 114 (Lakeville Regency)	52,000	54,500	99.0%
Shanghai Knowledge and Innovation Community (KIC Village, R1)	54,000	18,700	86.8%*
Wuhan Tiandi, Lot A9 (The Riverview)	29,000	13,500	75.0%
Shanghai Rui Hong Xin Cheng, Lot 149 (Phase 2)	3,000	16,600	99.0%
Total GFA (sq.m.)	138,000		

**: Agreement has been reached to increase the interest from 70% to 86.8%, subject to the approval by the relevant PRC government authorities.*

As at 31 December 2007, the Group's inventory of properties held for sale with construction completed was 13,000 sq.m. of GFA and consisted substantially of residential units at R1 of Shanghai Knowledge and Innovation Community.

The Group expects to launch the following residential properties for sale and pre-sale during 2008:
(i) Shanghai Taipingqiao, Lot 113 (Lakeville 3) comprising 71,000 sq.m. or 434 units;
(ii) Chongqing Tiandi, Lot B1-1/01 (The Riviera) comprising 107,000 sq.m. or 784 units; and
(iii) Wuhan Tiandi, Lot A7 (The Riverview) comprising 39,000 sq.m. or 265 units

The sale and pre-sale of units will be subject to compliance with applicable laws and regulations, and will be dependent on obtaining the requisite approvals, licenses, permits and consents. Recognition of these sales will depend, amongst others, on the timing of completion of construction, issue of occupation permit, and actual completed sales.

Property Investments

The Group's rental income in 2007 was RMB401 million, representing an increase of approximately 12% over that of 2006 (2006: RMB358 million).

As at 31 December 2007, the Group's investment properties consisted of 253,000 sq.m. of GFA, an increase of 5% over 2006 (2006: 241,000 sq.m.), of which approximately half was for office use and the other half for retail use, and comprised:

	Leasable GFA (sq.m.)				
Project	Office	Retail	Others*	Total	Group's interest
Shanghai Xintiandi	5,000	46,000	6,000	57,000	97.0%
Shanghai Corporate Avenue	76,000	7,000	-	83,000	99.0%
Shanghai Rui Hong Xin Cheng, Phase 2 Commercial Complex	-	28,000	-	28,000	99.0%
Shanghai Knowledge and Innovation Community R1	8,000	7,000	-	15,000	86.8%**
Shanghai Knowledge and Innovation Community Plaza Phase 1	29,000	23,000	-	52,000	86.8%**
Hangzhou Xihu Tiandi, Phase 1	-	5,000	1,000	6,000	100.0%
Wuhan Tiandi, Commercial	-	12,000	-	12,000	75.0%
Total leasable GFA, 31 December 2007	118,000	128,000	7,000	253,000	
Total leasable GFA, 31 December 2006	118,000	116,000	7,000	241,000	

*: *Others represent service apartments and clubhouses.*

**: *Agreement has been reached to increase the interest from 70% to 86.8%, subject to the approval by the relevant PRC government authorities.*

On the basis that development progress is in accordance with that described in the Property Development section above, the Group's portfolio of investment properties is expected to grow to 273,000 sq.m. of GFA by the end of 2008, 440,000 sq.m. by the end of 2009, and 902,000 sq.m. by the end of 2010. In that event, the size of our investment property portfolio will be 1.1 times, 1.7 times and 3.6 times that of the size as at 31 December 2007 by the end of 2008, 2009 and 2010, respectively.

Shanghai Xintiandi and Shanghai Corporate Avenue continued to be near fully let with average rental rates increasing 14% and 3% over 2006, respectively.

With the repositioning of tenant mix and introduction of anchor tenants and fast food chain stores that enhance the traffic flow and shopping ambiance, the commercial complex at Phase 2 of Shanghai Rui Hong Xin Cheng, which was opened in 2004, fetched a 21% increase in rental income in 2007 over 2006 and its occupancy rate increased to 99% at the end of 2007 (31 December 2006: 86%).

In February 2008, the Group completed the acquisition of the retail podium together with other leasable areas aggregating 13,000 sq.m. of GFA at Rui Hong Xin Cheng, Phase 1 from Shui On Group for a cash consideration of RMB107 million, which has been negotiated at arm's length based on the appraised value of the property by an independent valuer as at 31 December 2007. Following completion of the acquisition, the Group now controls the entire Rui Hong Xin Cheng development which should further enhance the overall branding and value of this project.

The office space in KIC Village R1 and KIC Plaza Phase 1 of Shanghai Knowledge and Innovation Community, which construction was completed in the second half of 2006, are being filled with tenants, with KIC Village R1 over 30% occupied and KIC Plaza Phase 1 over 80% occupied.

Hangzhou Xihu Tiandi Phase 1 continued to be fully let.

The first phase of the retail space, with a leasable GFA of 12,000 sq.m., in Wuhan Tiandi commenced leasing in April 2007. Approximately 57% of that GFA has been leased and all leased 17 units have begun their business activities in early 2008.

Construction of the retail and service apartment at Lots B1-1/01 and B3/01 of Chongqing Tiandi, with an aggregate GFA of 56,000 sq.m., commenced in July 2007 and has been progressing according to plan. These areas can be expected to be completed towards the end of 2008 for handing over to tenants in 2009.

The occupancy rates of the Group's investment properties as at 31 December 2007 were as follows:

	Occupancy rate	
Investment property	2007	2006
Shanghai Xintiandi	97%	94%
Shanghai Corporate Avenue	94%	98%
Shanghai Rui Hong Xin Cheng, Phase 2 Commercial Complex	99%	86%
Shanghai Knowledge and Innovation Community, R1 office	33%	9%
Shanghai Knowledge and Innovation Community Plaza Phase 1	81%	18%
Hangzhou Xihu Tiandi, Phase 1	100%	98%
Wuhan Tiandi, Commercial	57%	N/A

The slightly reduced occupancy rate as at 31 December 2007 at Shanghai Corporate Avenue was related to normal void period upon lease expiration when provision was required for reinstatement of premises and fitting out for new tenants. New leases have been signed with replacement tenants and the premises are currently near full occupancy.

Landbank

The Group continues with its high growth trajectory through acquisition of sites located in prime strategic locations.

During the year, the Group has acquired the following two new projects:

(i) Dalian Tiandi·Software Hub:

In May 2007, the Group has entered into an agreement with Shui On Construction and Materials Limited and Yida Group Company Limited ("Yida Group"), an experienced developer in Northern China, to form a joint venture (the "joint venture") for the development of Dalian Tiandi·Software Hub, a large-scale multi-faceted project focusing on the global software industry. This hub will bring together businesses, information technology and software development centres, commercial and residential properties, as well as educational and research facilities, outdoor recreational and other public amenities. The entire project, comprising 23 plots of land with an expected GFA of over 3.5 million sq.m., is planned for development in phases over a period of 8 to 10 years up to 2018. Two plots of land at Huangnichuan Road North (known as W1-A and W2-A) have been transferred from Yida Group into the joint venture and land titles have been obtained in January 2008. In March 2008, the joint venture has won the bid for three more plots of land at Huangnichuan Road North with a total GFA of approximately 394,000 sq.m. Accordingly, the joint venture has successfully acquired all the land development rights at Huangnichuan Road North as planned in the control specific master plan, totaling approximately 1.77 million sq.m.

The Hekou Bay site comprising approximately 1.19 million sq.m. of GFA is expected to be the subject of public bidding within 2008. It is the intention of the joint venture to bid for the Hekou Bay site as well as the other 16 plots of land with a total GFA of 588,000 sq.m. Acquisition of these lands will be by way of competitive bidding and there is no assurance that the joint venture will be successful in acquiring them. The Group has a 48% interest in the joint venture.

(ii) Foshan Lingnan Tiandi:

The Group won a competitive bid in November 2007 for a site with a total GFA of approximately 1.5 million sq.m. in Foshan that is located within 20 km. of Guangzhou in the Guangdong Province. The Foshan government has already commenced the relocation process and is targeting to hand over cleared land to the Group in phases over the next two and a half years. The Group's objective is to develop Foshan Lingnan Tiandi into a landmark project in Southern China over 8 to 10 years, restoring and emphasizing traditional Lingnan culture.

The above acquisitions have increased the Group's total landbank to 13.1 million sq.m. (10.0 million sq.m. attributable to the Group) as at 31 December 2007, a 56% increase from 2006. Currently, the Group's landbank comprises 8 development projects, spanning over 6 cities, namely Shanghai, Hangzhou, Chongqing, Wuhan, Dalian and Foshan.

The proposed acquisition of the development rights to a piece of land with a GFA of approximately 137,400 sq.m. in Yangpu District, Shanghai (also known as Plot A of Lot 24) that is adjacent to the Group's existing Shanghai Knowledge and Innovation Community development project continued to make progress. Agreement has been reached, subject to government approvals, to acquire the company that currently owns the development rights of the land. The land title of the lot has been released in early April 2008 for public bidding and the acquisition process is expected to be completed before the end of 2008.

In addition, memoranda of understanding ("MOUs") have been signed during the year with the respective municipal governments in three other cities in Yunnan Province, namely Dali, Diqing (Shangri-la) and Lijiang for the proposed development of regional tourism resort property projects. The location of the proposed development in these cities and the proposed size of each project are as follows:

- Dali: North Area, Hai Dong New District, Dali (大理市海東新區北片區), has a proposed GFA of approximately 2,500,000 sq.m.;

- Diqing (Shangri-la): Ming Jun Area, Xiao Zhong Dian Town, Shangri-la County, Diqing (迪慶州香格里拉縣小中甸明峻地區), has a proposed GFA of approximately 760,000 sq.m.; and

- Lijiang: La Shi Hai Pian Area, Yulong County, Lijiang City (麗江市玉龍縣拉市海片區), has a proposed GFA of approximately 1,200,000 sq.m.

These, together with the MOU that the Group has signed in 2006 with the Kunming municipal government for the proposed redevelopment of the northern Caohai District adjacent to the famous Dianchi Lake in Kunming City (昆明市滇池縣草海北部片區) which has a proposed GFA of approximately 2,500,000 sq.m., will add a further approximately 6.96 million sq.m. of GFA to the Group's total landbank.

The above MOUs signed with the four municipal city governments of Yunnan Province are all legally non-binding in nature. The final project sizes are subject to further discussions.

The Group's total landbank position as at 31 December 2007, together with that of its associates, can be summarized as follows:

Project	Approximate/Estimated leasable and saleable area (sq.m.) Leasable GFA	Saleable GFA	Hotel/ service apartment/ clubhouse	Carpark and other public facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Completed properties held for investment:							
See section headed "Property Investments" above for details	246,000	-	7,000	-	253,000	various	238,000
Completed properties held for operation:							
Shanghai Rui Hong Xin Cheng, Phase 2 clubhouse	-	-	5,000	-	5,000	99.0%	5,000
Shanghai Taipingqiao, Lots 114 and 117 clubhouses	-	-	10,000	-	10,000	various	9,000
Wuhan Tiandi, Lot A9 clubhouse	-	-	1,000	-	1,000	75.0%	1,000
Completed properties held for sale:							
Shanghai Knowledge and Innovation Community, R1	-	12,000	-	-	12,000	86.8%**	11,000
Others	-	1,000	-	-	1,000	various	1,000
Subtotal	246,000	13,000	23,000	-	282,000		265,000
Properties under development:							
Shanghai Taipingqiao	166,000	80,000	3,000	106,000	355,000	99.0%*	352,000
Shanghai Rui Hong Xin Cheng, Phase 3	22,000	220,000	2,000	53,000	297,000	99.0%	294,000
Shanghai Knowledge and Innovation Community	49,000	74,000	3,000	99,000	225,000	86.8%**	195,000
Hangzhou Xihu Tiandi	46,000	-	-	27,000	73,000	100.0%	73,000
Chongqing Tiandi	46,000	309,000	26,000	115,000	496,000	79.4%	394,000
Wuhan Tiandi	27,000	39,000	7,000	62,000	135,000	75.0%	101,000
Subtotal	356,000	722,000	41,000	462,000	1,581,000		1,409,000
Properties held for future development:							
Shanghai Taipingqiao	345,000	256,000	-	57,000	658,000	99.0%*	608,000
Shanghai Rui Hong Xin Cheng	168,000	639,000	-	13,000	820,000	99.0%	812,000
Shanghai Knowledge and Innovation Community	142,000	115,000	-	5,000	262,000	86.8%**	227,000
Chongqing Tiandi	1,251,000	1,216,000	-	633,000	3,100,000	79.4%	2,461,000
Wuhan Tiandi	598,000	686,000	-	87,000	1,371,000	75.0%	1,028,000
Dalian Tiandi·Software Hub	2,246,000	1,110,000	-	185,000	3,541,000	48.0%***	1,700,000
Foshan Lingnan Tiandi	731,000	727,000	-	42,000	1,500,000	100.0%	1,500,000
Subtotal	5,481,000	4,749,000	-	1,022,000	11,252,000		8,336,000
Total Landbank GFA (sq.m.)	6,083,000	5,484,000	64,000	1,484,000	13,115,000		10,010,000

*: *The Group has a 99% interest in the remaining lots within Shanghai Taipingqiao project, except for Lot 116, in which we have a 50% interest after the sale of a 48% interest to a strategic partner in July 2007.*

**: *Agreement has been reached to increase the interest from 70% to 86.8%, subject to the approval by the relevant PRC government authorities.*

***: *Dalian Tiandi·Software Hub comprises 23 plots of land with an expected GFA totalling approximately 3,541,000 sq.m. planned for development in phases over a period of 8 to 10 years. It is the intention of the joint venture companies to acquire all 23 plots of land. As at 31 March 2008, 5 plots of land of approximately 1,765,000 sq.m. of GFA have been acquired with legally binding contracts signed. Acquisition of the remaining 18 plots of land of approximately 1,776,000 sq.m. of GFA will be by way of competitive bidding and there is no assurance that the joint venture companies will be successful in acquiring these lands..*

Accelerate Growth through Strategic Partnerships

Bringing in strategic partners to co-develop the Groups' projects, either at a project level and/or at a phase level, is a stated strategy that the Group has been following. This strategy allows the Group to accelerate returns from its projects, releases the capital that can be invested in other projects, helps the Group to diversify its risks, enhances the Group's cashflow and allows the Group access to certain expertise and know how that the partners possess and are beneficial to the future development of the Groups' projects.

In July 2007, Trophy Property Development, L.P., a collective investment scheme (the "Trophy Fund") managed by Winnington Capital Limited, was brought in as a strategic partner through the transfer of a 25% interest in Wuhan Tiandi and a 49% interest in Lot116 of the Shanghai Taipingqiao project to the Trophy Fund for a total consideration of approximately RMB1,609 million, giving rise to a total gain of approximately RMB845 million recognized as income by the Group in 2007.

Following the tremendous success of the development and sales of Lakeville Regency that generated total sales in excess of RMB6 billion over 2006 and 2007, the Group offered to buy out the strategic partners' 30% equity interest in the company holding Lakeville Regency for a cash consideration of USD116 million, which was determined as a result of arm's length negotiations. The acquisition was completed in October 2007 after having sold the vast majority of the units at Lakeville Regency. The subsequent sales of the remaining units at Lakeville Regency, however, actually commanded higher prices than those assumed in the acquisition. Such higher prices gave rise to a gain of RMB80 million beyond those assumed in the consideration of USD116 million. The gain has credited to the income statement by the Group in 2007. The buyout further allows the Group the flexibility of using the same vehicle to carry on the further development of other phases of the Shanghai Taipingqiao project, and the flexibility of retaining the RMB proceeds from sales of Lakeville Regency to be reinvested in the Group's other projects in the PRC.

It remains the Group's strategy to forge strategic partnerships with developers, contractors, consultants and other investors and replicate those relationships in our other projects in the same city or elsewhere, to the extent commercially feasible, when such relationships are proving to be beneficial and working well, thereby also enhancing our operational efficiency.

Market Outlook

The subprime mortgage crisis in the United States and Europe, and its severe impact on the financial markets, have received a lot of attention. The Chinese Government has also implemented a number of measures that have stemmed the rapid increases in the residential property prices but, we believe, such measures have promoted the healthy development of the property market in the Chinese Mainland. This creates some uncertainties as to property market conditions in the Chinese Mainland in 2008 which could impact on demand for properties and attendant prices. We remain optimistic however about the Chinese Mainland's property market, and believe that China's economic growth momentum will continue in 2008. We believe that demand for our properties (which are all very well located) is driven in large part by the overall economic development and increasing standards of living in China, particularly in Shanghai and the other cities in which we operate.

China's plan for continuing strong economic growth and improving living standards of the fast-growing urban community should generate significant economic value for China and for well capitalized and proven property companies such as Shui On Land. We believe in pursuing our strategy of enhancing our existing portfolio in Shanghai, Hangzhou, Chongqing, Wuhan, Dalian and Foshan and expanding strategically in other fast growing cities in the Chinese Mainland, management and financial resources permitting. We believe, with increasing urbanization and affluent population aspiring to pursue a higher quality of life, demand for high quality housing and commercial properties such as ours will remain strong. To this end, we will continue our discussions with the government of a number of cities with a view to working with them in the master planning of transformation of their urban centres. Ultimately, the control of supply in the Chinese Mainland will continue to stimulate demand since relocation of populations can only proceed at a very measured space. Development of the residential sector will therefore benefit the market in general and promote stability, which in turn will support the Group's sustainable growth plan.

We are one of the leading property developers with the experience in managing large-scale, complex, long-term projects in China. We are further expanding our unique business model from comprehensive city-core integrated projects to include knowledge communities and tourism facilitated developments as we see huge growth potential in China's information technology and tourism sectors. We are also one of the few leading property companies that holds a quality portfolio of properties that we have developed as strategic, long-term investments. We have consolidated our position as one of the Chinese Mainland's most innovative and visionary property developers while strengthening our platform for further strategic growth. We believe that the prospects and future success of the projects undertaken by Shui On Land are all excellent. We will continue to apply our successful business models and leverage our premium branding to take advantage of new opportunities that arise by the increasing affluence and urbanization in the Chinese Mainland. We will continue to pursue our aspiration to be the premium innovative property developer in the Chinese Mainland, the most exciting property market in the world.

Financial Review

Turnover decreased by 3% to RMB4,570 million (2006: RMB4,729 million) primarily due to management's decision to sell Shanghai Taipingqiao, Lot 113 (Lakeville 3) in planned phases over 2008 and 2009, thereby building on our continued success in Shanghai Taipingqiao.

Property sales for the year amounted to RMB4,085 million (2006: RMB4,283 million) and was generated from the sales of residential GFA aggregating approximately 138,000 sq.m (2006: 123,000 sq.m). Shanghai Taipingqiao, Lot 114 (Lakeville Regency) continued to be the key contributor to both turnover and gross profit for 2007.

Rental income increased by 12% to RMB401 million (2006: RMB358 million) as a result of increases in the average rental rates in Shanghai Xintiandi and Shanghai Corporate Avenue and increased occupancy rates for investment properties that were completed in 2006 and 2007, namely at Shanghai Knowledge and Innovation Community (KIC Plaza Phase 1 and KIC Village R1) and at Wuhan Tiandi.

Gross profit was RMB2,685 million (2006: RMB3,140 million) and the gross margin was 59% (2006: 66%). The decrease in the gross margin occurred mainly on property sales and was due to lower sales in 2007 than in 2006 from Shanghai Taipingqiao, Lot 114 (Lakeville Regency) which generated higher gross profit margins. The lower margin from the sales of residential units in Wuhan and in Shanghai Knowledge and Innovation Community (KIC Village R1) also accounted for the reduced overall gross margin in 2007.

Other income increased by 51% to RMB269 million (2006: RMB178 million) primarily due to higher interest income from deposits of subscription monies received from the Company's initial public offering in October 2006 coupled with the generally higher interest rates in 2007 than in 2006.

Selling and marketing expenses decreased by 24% to RMB114 million (2006: RMB150 million) due mainly to higher expenses incurred in 2006 in promoting the sales and leasing KIC Plaza Phase 1 and KIC Village R1 of our Shanghai Knowledge and Innovation Community and Phase 2 of our Shanghai Rui Hong Xin Cheng development projects than those incurred in 2007. The decline was however partially offset by expenses incurred in the promotion of the maiden launch of our Wuhan Tiandi development project, Lot A9 (The Riverview) in 2007.

In 2007, the *general and administrative expenses* increased by 62% to RMB543 million (2006: RMB335 million) on account of higher employee benefits expenses and higher level of professional and consulting fees. The increase in employee benefits expenses included share compensation costs of RMB36 million (2006: nil) in respect of share options granted to staff in 2007, the effect of an increase in the number of average headcount to 1,031 in 2007 (2006: 929) and general salary increments in 2007 over 2006. The higher level of professional and consulting fees was incidental to our Group's business expansion in 2007.

Other expenses decreased to RMB13 million (2006: RMB658 million) due mainly to reduced losses on change in fair value of derivative financial instruments. In 2006, we incurred losses on changes in the fair value of our warrants and on the conversion options of our preference shares amounting to RMB500 million. All warrants exercisable for shares of the Company were exercised and all preference shares were also mandatorily converted into shares of the Company at the same time upon the Company's successful initial public offering in October 2006. In addition, non-recurring professional fees totaling RMB152 million were incurred in 2006 for obtaining our listing on the Hong Kong Stock Exchange.

Operating profit increased by 5% to RMB2,284 million (2006: RMB2,175 million). The increase was due mainly to the various items referred to above.

Increase in fair value of investment properties has given rise to a gain of RMB577 million in 2007 (2006: RMB145 million).

Gains on partial disposal of equity interests in subsidiaries and gain on acquisition of additional equity interest in a subsidiary are all contained in the paragraph headed "Accelerate Growth through Strategic Partnerships" in the Business Review Section referred to above.

Finance costs amounted to RMB125 million (2006: RMB118 million) and comprised mainly interest costs of RMB458 million less amount capitalised to properties under development of RMB358 million (2006: RMB854 million less capitalisation to properties under development of RMB643 million). The lower level of total finance costs was due mainly to the conversion of all the preference shares into shares of the Company at the time of the initial public offering in October 2006. Prior to that preference share dividends had been treated as interest costs.

Profit before taxation increased by 32% to RMB3,687 million (2006: RMB2,785 million). The increase was due mainly to the various items referred to above.

Taxation was RMB820 million (effective tax rate: 22%) in 2007 as compared to RMB1,145 million (effective tax rate: 41%) in 2006. The significant reduction in effective tax rate was largely attributable to a non-recurring deferred tax credit adjustment of RMB343 million booked in 2007. As a result of the enactment in March 2007 of the new Corporate Income Tax Law of the PRC, enterprises are subjected to a uniform income tax rate of 25% with effect from 1 January 2008. To reflect this anticipated change in the tax rate from 33% to 25%, the carrying value of deferred tax liabilities was written down by RMB343 million and credited to the income statement in 2007. Excluding the effect of this non-recurring deferred tax credit adjustment, the effective tax rate in 2007 was 32%, which is a decrease when compared to 2006 partly due to certain non-recurring expenses not being deductible for tax purposes such as certain of the professional fees for obtaining our listing on the Hong Kong Stock Exchange incurred in 2006 but not in 2007.

Profit attributable to shareholders of the Company for 2007 was RMB2,462 million, an increase of 115% over 2006 (2006: RMB1,146 million). The effects on profit attributable to shareholders of the change in fair value of the Group's investment properties, net of related tax effect; and fair value change of derivative financial instruments are as follows:

	2007 RMB'million	2006 RMB'million	% change
Profit attributable to shareholders of the Company after (i) revaluation of investment properties; and (ii) fair value adjustment on derivative financial instruments	**2,462**	1,146	+115%
Revaluation increase on investment properties (net of deferred tax effect and share of minority interest)	**(419)**	(87)	
Loss on change in fair value of derivative financial instruments	**-**	500	
Fair value loss/(gain) on early redemption rights on notes	**17**	(23)	
Profit attributable to shareholders of the Company before (i) revaluation of investment properties; and (ii) fair value adjustment on derivative financial instruments	**2,060**	1,536	+34%

Earnings per share were RMB59 cents or HK61 cents calculated based on a weighted average of approximately 4,185 million shares in issue during the year (2006: RMB48 cents or HK47 cents based on 2,405 million shares in issue).

Capital Structure, Gearing Ratio and Funding

As at 31 December 2007, the Group's utilised project loans, mortgage loans and senior notes amounted to approximately RMB7,072 million (31 December 2006: RMB6,477 million) and our total equity was RMB16,706 million (31 December 2006: RMB15,165 million).

The structure of our borrowings as at 31 December 2007 is summarised below:

	Currency denomination	*Total (in RMBequiv) RMB'million*	*Due within one year RMB'million*	*Due more than one year but not exceeding two years RMB'million*	*Due more than two years but not exceeding five years RMB'million*	*Due more than five years RMB'million*
Bank loans	RMB	1,235	742	103	234	156
	HKD	3,170	772	483	1,915	-
Notes	USD	2,667	2,667	-	-	-
Total		7,072	4,181	586	2,149	156

Our cash and bank deposits amounted to RMB3,697 million as at 31 December 2007 (31 December 2006: RMB5,654 million), which included RMB854 million (31 December 2006: RMB1,202 million) of deposits pledged to banks. The decrease in our cash balance was due mainly to payments of land costs for Dalian Tiandi•Software Hub and Foshan Tiandi projects, partially offset by proceeds from property sales and from transfers of equity interests to strategic partners.

The Group's net gearing ratio was approximately 20% as at 31 December 2007 (31 December 2006: 5%), calculated on the basis of dividing the excess of the sum of bank loans and notes payable over the sum of bank balances and cash by total equity.

The Group's rental income for 2007 expressed as a percentage of the Group's total interest costs before capitalization to property under development was approximately 88% (2006: approximately 42%).

Total undrawn banking facilities available to the Group were approximately RMB1,718 million as at 31 December 2007 (31 December 2006: RMB2,560 million). Subsequent to 31 December 2007, additional banking facilities of approximately RMB2,616 million have been arranged. We will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet our funding requirements.

Pledged Assets

As at 31 December 2007, the Group had pledged land use rights, completed properties for investment and sale, properties under development and bank and cash balances totaling approximately RMB11,663 million to secure our borrowings of RMB3,843 million, or 54% of our total borrowings.

Capital and Other Development Related Commitments

As at 31 December 2007, the Group had contracted commitments for capital expenditure in the amount of RMB5,065 million.

The Group has also committed to building certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in the area. As at 31 December 2007, the Group had not entered into any construction contracts relating to such education facilities.

In addition, the Group entered into a Confirmation Agreement with the Land Exchange Centre confirming the Group's successful bid for a plot of land in Foshan. Under this Confirmation Agreement, a total consideration for acquiring the land use rights of the land is RMB7,510 million, against which a deposit of RMB1,200 million has been paid to the Land Exchange Centre as at 31 December 2007 and a further installment of RMB1,053 million has been paid in January 2008; the remaining balance of RMB5,257 million will be paid in stages in line with the relocation progress of the land that is expected to be completed by or around 2010.

Future Plans for Material Investments and Sources of Funding

We intend to continue growing organically by pursuing more property development projects through competitive bids or auctioning to diversify the geographical span of our projects to selected regions in new cities.

We actively screen cities in different regions of the Chinese Mainland to identify suitable locations for our projects and are continually exploring new opportunities.

We may also pursue other plans, including other ways of acquiring land development rights for the purpose of undertaking property projects, or other ways to increase the scale of our operations by leveraging on our master planning expertise, if we feel the right opportunity presents itself.

While our primary focus is on city-core development projects and integrated residential development projects, we will, in appropriate cases, consider other opportunities to participate in projects of various scale where we can leverage our competitive strengths. Our track record, good relationships with business partners and well established reputation may give rise to such other opportunities.

Material investments will be funded, in the main, by using a combination of project construction loans, mortgage and other loans, and cash provided by operating activities, including from the rental, sales and pre-sales of properties, and proceeds from sale of equity interests in our projects to strategic partners, as appropriate.

Cashflow Management and Liquidity Risk

Cashflow of all subsidiaries is managed on a centralised basis so as to enhance cost-efficient funding.

Our objective is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, and bank and other borrowings, where appropriate. We will continue to maintain a reasonable liquidity buffer to ensure sufficient funds are available to meet liquidity requirements at all times. The repayment profile of liabilities is closely monitored and sources of payment are planned in advance.

Interest Rate and Exchange Rate Risks

The Group's exposure to cash flow interest rate risk resulted from fluctuation in interest rates. All of the bank borrowings of the Group consist of variable rate debt obligations with original maturities ranging from two to four years for the project construction loans; and five to ten years for the mortgage loans. Increase in interest rates would increase interest expenses relating to the outstanding variable rate borrowings and increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the debt obligations. The Group has been following a policy of developing long term banking facilities to match our long-term investment plans. This will enable us to avoid high borrowing costs from short term financing for long-term investment. Our policy on interest rate risk management also involves close monitoring of interest rate movements and to replace and enter into new banking facilities when good pricing opportunities arise. Interest rate swaps to hedge exposure to floating rates are used where appropriate.

All of the turnover of the Group is denominated in Renminbi. A portion of the turnover in Renminbi, however, is converted into other currencies to meet the foreign currency denominated debt obligations, such as the bank loans denominated in Hong Kong dollars and the senior note denominated in US dollars. As a result, the Group is exposed to fluctuations in foreign exchange rates.

Considering (i) a relatively stable currency regime with regard to the Renminbi is maintained by the PRC government which only allows the exchange rate to fluctuate within a narrow range; and (ii) it is the Group's view that it is more probable that the value of the Renminbi will appreciate than depreciate relative to the Hong Kong dollars/US dollars in the foreseeable future, the Group expects that any adverse effect of fluctuation of the exchange rate between Renminbi, Hong Kong dollars and US dollars is insignificant. The Group is monitoring the situation closely and will implement an effective hedging arrangement whenever it considers there is any sign that the currently benign environment will change in the future.

DIVIDENDS

The Directors recommended the payment of a final dividend of HK10 cents (2006: HK6 cents) per share for the year ended 31 December 2007. Such final dividend is subject to shareholders' approval at the Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 May 2008 to 5 June 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend payable on 27 June 2008 and to determine who are entitled to attend the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by registration not later than 4:30 p.m. on 28 May 2008.

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 2007.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance that it believes are crucial to the development of the Group and to safeguarding the interests of the shareholders of the Company.

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. All Directors confirmed they have complied with the required standards set out in the Model Code during the year ended 31 December 2007.

Board Composition

During the year ended 31 December 2007, majority of the members of the Board of Directors of the Company were Independent Non-executive Directors. The Board is currently made up of nine members in total, with two Executive Directors, one Non-executive Director and six Independent Non-executive Directors.

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

Audit Committee

The Audit Committee consists of three members, namely Professor Gary C. BIDDLE ("Professor BIDDLE"), Dr. Edgar W. K. CHENG and Dr. Roger L. McCARTHY. All of them are Independent Non-executive Directors. The chairman of the Audit Committee is Professor BIDDLE.

The Audit Committee has reviewed the Group's interim and annual results for the year ended 31 December 2007, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditor..

Remuneration Committee

The Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. Vincent H.S. LO and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are Independent Non-executive Directors. The chairman of the Remuneration Committee is Dr. FUNG.

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

Compliance with Code on Corporate Governance Practices

During the year ended 31 December 2007, the Company complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the following deviations:

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

   Mr. Vincent H. S. LO ("Mr. LO") is the Chairman and CEO of the Company and the founder of the Group. The Board considers that vesting the roles of Chairman and CEO in the same person is necessary because of the unique role and importance of Mr. LO in leading the business development efforts of the Company. This vesting provides strong and consistent market leadership and is critical for efficient business planning and decisions of the Company in its current stage of development. Furthermore, all major decisions are made in consultation with members of the Board and appropriate Board committees. There are six Independent Non-executive Directors on the Board offering strong independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place.

   The Company will continue to review the effectiveness of the Company's corporate governance structure and consider whether any changes, including the division of responsibilities and roles of Chairman and CEO, are necessary in the future.

2. Code provision A.4.2: All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

   According to Article 97(3) of the Articles of Association of the Company then in effect before 8 June 2007, any director appointed to fill a casual vacancy should hold office only until the next following annual general meeting and would then be eligible for re-election. To fully comply with the code provision A.4.2, a relevant amendment to the Articles of Association of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 8 June 2007.

Other than the above, the Company has also performed the following in furtherance to those corporate governance principles and practices as set out under the CG Code during the year ended 31 December 2007:

1. Written procedure has been established in March 2007 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.

2. Written guidelines for dealing in the Company's securities by the relevant employees have been established and adopted in March 2007 on no less exacting terms than the Model Code, to regulate securities dealings by certain employees of the Company or any of its subsidiaries who are considered likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

3. Functions reserved to the Board and those delegated to the management have been formalised in writing, and approved and adopted by the Board in March 2007.

Further information on the Company's corporate governance practices during the year under review will be set out in the corporate governance report to be contained in the Company's 2007 annual report which will be sent to the shareholders of the Company before the end of April 2008.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2007, the number of employees in the Group was 1,182 (2006: 1,046). Employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits include provident fund schemes, share option scheme, medical insurance, in-house training and subsidies for job-related seminars, and programmes organised by professional bodies and educational institutes.

Pursuant to a share option scheme which was approved and adopted by the Company on 8 June 2007 (the "Share Option Scheme"), the Board may offer to grant share options to any employees, Executive and Non-executive Directors, consultants, advisors, or service providers and business partners who have contributed or may contribute to the Group as the Chairman may recommend. The Board believes that the Share Option Scheme will provide the qualifying participants with the opportunity of participating in the growth of the Company by acquiring shares in the Company and may, in turn, assist in building the Group into a high performing organization with loyal staff and contributors. In 2007, approximately 159.9 million share options have been granted under the Share Option Scheme.

The Remuneration Committee strongly believes in the principle of equality of opportunity and reward for staff. During the year, the Remuneration Committee commenced work on a remuneration policy that will embrace the value of diversity of workforce, and encourage all staff to use their skills, knowledge and creativity to achieve excellence.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet at 31 December 2007, and the consolidated income statement and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

I would like to thank all members of staff within the Group for their hard work and commitment in our endeavour to make Shui On Land the premier innovative property developer in the Chinese Mainland. Our people are key to our success and are regarded as our most important asset. We are proud of the Company's achievements in this area, and of our "people" policies.

By order of the Board
Vincent H. S. LO
Chairman

Hong Kong, 17 April 2008

** For identification purposes only*

At the date of this announcement, the directors of the Company are:

Executive Directors:
Mr. Vincent H. S. LO (Chairman and Chief Executive Officer)
Mr. William T. ADDISON

Non-Executive Director:
The Honourable LEUNG Chun Ying

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

Website:www.shuionland.com