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 2011 Annual Results

HIGHLIGHTS

- Turnover set a new record, increasing by 74% to RMB8,484 million in 2011.
- Completion of properties during 2011 achieved an overall increase of 57% for a total of 585,000 sq.m. of gross floor area ("GFA").
- The average selling price ("ASP") of recognised sales grew by 25% to RMB24,600 per sq.m..
- Contracted sales increased by 114% to RMB10,667 million on a total GFA of 527,500 sq.m..
- Locked-in sales as of 31 December 2011, earmarked for delivery in 2012 and beyond, rose by 51% to RMB4,877 million compared to RMB3,222 million in 2010.
- Gross profit margin grew by 3% to 44% in 2011.
- Operating profit increased significantly by 103% to RMB3,116 million with the operating profit margin rising by 6% to 37%.
- A total of 509,000 sq.m. of investment property was held by subsidiaries of the Group and a total of approximately 155,000 sq.m. was held by its associate companies.
- The aggregated increase in fair value of investment property was RMB2,696 million, taking into account the increase of rental income generated from the completed investment properties and the completion of 72,000 sq.m. of new investment property in 2011.
- Core earnings increased by 108% to RMB1,572 million in 2011.
- Profit attributable to shareholders grew by 22% to RMB3,428 million.
- Basic earnings per share was RMB0.66.
- The Board of Directors recommended a final dividend of HK$0.10 per share, and will be payable in the form of cash and/or shares.
- Total equity increased by 13% to RMB29,471 million, while total assets rose by 22% to RMB68,604 million.
- The Group had bank balances and cash in hand of RMB6,370 million as of 31 December 2011, with a net gearing ratio of 65%.
- In January and February 2012 respectively, the Group issued SGD250 million 8% senior notes and US$475 million 9.75% notes with maturity for three years.

CHAIRMAN'S STATEMENT

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), an 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, 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 this 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 Company 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 has 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 3-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 China Golf Challenge, which has helped put our name more strongly into the minds of prospective buyers. Over seven days in six 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 which is an 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 6.2 ha. 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 1 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 5-star hotel. For the many companies and individuals seeking efficient travel between the Mainland and international destinations, these 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 Mistui Fudosan's Chairman and CEO have both expressed an interest in expanding co-operation with your Company over the long term, which will be mutually beneficial.

On Target for 1 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 so highly leveraged as 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 1 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 end 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 that we will be capable of meeting our targets and creating further value for shareholders.

Vincent H. S. LO
Chairman

Hong Kong, 21 March 2012

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:

	2011			2010			ASP
Project	**Sales revenue**	**GFA sold**	**ASP**	**Sales revenue**	**GFA sold**	**ASP**	**Growth rate**
	RMB million	sq.m.	RMB per sq.m.	RMB million	sq.m.	RMB per sq.m.	%
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".*

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			ASP
Project	**Contracted amount**	**GFA sold**	**ASP**	**Contracted amount**	**GFA sold**	**ASP**	**Growth rate**
	RMB million	sq.m.	RMB per sq.m.	RMB million	sq.m.	RMB per sq.m.	%
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**	**2010 Contracted ASP**	**2011 City centre ASP**	**2010 City centre ASP**	**10-year GDP growth rate**	**2010 GDP per capita**
	RMB per sq.m.	RMB per sq.m.	RMB per sq.m.	RMB per sq.m.	%	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.*

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.

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.

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 presale in 2012**	**Group's interest**
	GFA in sq.m.	
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.*

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 apart -ments**	**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 Low 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 property 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	Increase (decrease) in fair value for the year ended 31 December 2011	Carrying value as of 31 December 2011	Carrying value per GFA
	sq.m.	RMB million	RMB million	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**	

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

Project	**Residential**	**Office**	**Retail**	**Hotel/ serviced apartments**	**Subtotal**	**Clubhouse, carpark and other facilities**	**Total**
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	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.*

Landbank

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.

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	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	%
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.*

MARKET OUTLOOK

Stability will be the watchword for China's economic policy in 2012, against the backdrop of a slowing global economy, geopolitical turmoil in the Middle East and the forthcoming 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 high-speed rail and 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 housing policy adjustments. In November 2011, Chongqing announced a personal income tax rebate for mortgage repayment, after its housing market had undergone a marked adjustment in transaction volume and prices. Recently in Shanghai, the definition of "ordinary" housing has been broadened to include housing units within the inner ring which have a transaction value of less than RMB3.3 million. This adjustment enables a larger number of housing transactions to be subject to the reduced tax afforded to "ordinary" housing as compared with "non-ordinary" housing.

Despite these developments, national policymakers are determined to retain market control measures to steer housing prices to "reasonable" levels and are unlikely to lift the purchase restriction policies in the short term. It is envisaged that the outlook for the residential sector will remain subdued, but a further fall in market sentiment this year would be cushioned by an improving credit environment for first-home purchases that would attract more "wait-and-see" buyers back to the market, thus maintaining a baseline in transaction volume.

In the commercial property segment, the prospects are bright in view of China's switch to 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. In recent years, more domestic and international investors have entered the commercial real estate investment market, looking for high-quality property projects, in markets where much of the stock is of poor quality and the high-quality stock is rarely for sale. 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 the Group the opportunity to implement its strategy of selling some non-core commercial property assets to generate cash for ongoing development projects.

All the Group's 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. With less new supply expected this year, rentals are projected to increase by 6% to 10% in 2012. The Group believes that the emerging Hongqiao Transport Hub, with its superlative multimodal connections to the Yangtze River Delta region, will attract an increasing share of the headquarters of multinational companies coming to Shanghai as well as domestic company headquarters.

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 (FDI), foreign trade volume and air freight volume. In June 2011, the Chongqing-Xinjiang-Europe International Railway was put into operation, reducing freight transit time to 13 days by train from around 36 days by sea. 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$10.7 billion in 2011, and more than 200 of the top 500 global companies now have a presence in the municipality. The Group's project is located in Yuzhong district, which is an attractive location for multinational Grade A offices. The high-end housing market will benefit from Chongqing's new personal income tax rebate on mortgage repayments, because the progressive income tax structure provides additional incentives 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 44% to RMB110 billion in 2012 and to RMB300 billion in 2015. In order to attract talent to support this growth, the municipal government plans to modify local home purchase restrictions to enable recently arrived, qualified talent to buy local housing. Such a policy will help to boost end-user housing demand in Dalian.

The Group believes that the mixed-use property development model has a competitive strength that provides risk diversification and flexibility in China's frequently changing real estate market. The Group's community developments, centrally located in major city cores, where land for development 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 of housing purchase restrictions remaining in place in the near term, the Group will accordingly achieve growth by managing the proportion of cashflow contributions from commercial and residential real estate.

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 2011 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2011**		Year ended 31 December 2010	
		HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Turnover					
- Company and its subsidiaries (“the Group”)	*4*	**10,249**	**8,484**	5,611	4,879
- Share of associates		**216**	**179**	-	-
		10,465	**8,663**	5,611	4,879
Turnover of the Group	*4*	**10,249**	**8,484**	5,611	4,879
Cost of sales		**(5,778)**	**(4,783)**	(3,299)	(2,869)
Gross profit		**4,471**	**3,701**	2,312	2,010
Other income		**295**	**244**	260	226
Selling and marketing expenses		**(236)**	**(195)**	(164)	(142)
General and administrative expenses		**(766)**	**(634)**	(645)	(561)
Operating profit	*5*	**3,764**	**3,116**	1,763	1,533
Increase in fair value of investment properties		**3,257**	**2,696**	3,118	2,711
Gain on disposals of investment properties		**21**	**17**	26	23
Share of results of associates		**165**	**137**	67	58
Finance costs, net of exchange gain	*6*	**114**	**94**	48	42
Profit before taxation		**7,321**	**6,060**	5,022	4,367
Taxation	*7*	**(2,491)**	**(2,062)**	(1,561)	(1,357)
Profit for the year		**4,830**	**3,998**	3,461	3,010
Attributable to:					
Shareholders of the Company		**4,141**	**3,428**	3,230	2,809
Non-controlling interests		**689**	**570**	231	201
		4,830	**3,998**	3,461	3,010
Earnings per share	*9*				
Basic		**HK$0.80**	**RMB0.66**	HK$0.63	RMB0.55
Diluted		**HK$0.70**	**RMB0.58**	HK$0.61	RMB0.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2011		Year ended 31 December 2010	
	HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Profit for the year	**4,830**	**3,998**	3,461	3,010
Other comprehensive income (expense)				
Exchange difference arising on translation of foreign operations	**6**	**5**	(5)	(4)
Fair value adjustments on interest rate swaps designated in cash flow hedges	**82**	**68**	(8)	(7)
Other comprehensive income (expense) for the year	**88**	**73**	(13)	(11)
Total comprehensive income for the year	**4,918**	**4,071**	3,448	2,999
Total comprehensive income attributable to:				
Shareholders of the Company	**4,229**	**3,501**	3,217	2,798
Non-controlling interests	**689**	**570**	231	201
	4,918	**4,071**	3,448	2,999

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2011 RMB'million**	31 December 2010 RMB'million
Non-current assets			
Investment properties		**36,395**	26,893
Property, plant and equipment		**1,079**	540
Prepaid lease payments		**500**	73
Interests in associates		**1,057**	920
Loans to associates		**1,366**	1,270
Accounts receivable	*10*	**86**	64
Pledged bank deposits		**1,143**	1,569
Deferred tax assets		**154**	162
		41,780	31,491
Current assets			
Properties under development for sale		**17,247**	14,308
Properties held for sale		**987**	627
Accounts receivable, deposits and prepayments	*10*	**2,503**	3,604
Loans receivable		**152**	597
Amounts due from associates		**446**	318
Amounts due from related companies		**212**	49
Amounts due from non-controlling shareholders of subsidiaries		**50**	38
Pledged bank deposits		**1,369**	316
Restricted bank deposits		**335**	243
Bank balances and cash		**3,523**	4,662
		26,824	24,762
Current liabilities			
Accounts payable, deposits received and accrued charges	*11*	**5,068**	4,987
Amounts due to related companies		**368**	95
Amounts due to associates		**5**	29
Amounts due to non-controlling shareholders of subsidiaries		**404**	462
Loan from a non-controlling shareholder of a subsidiary		**-**	300
Tax liabilities		**1,855**	1,230
Bank borrowings – due within one year		**8,774**	1,644
		16,474	8,747
Net current assets		**10,350**	16,015
Total assets less current liabilities		**52,130**	47,506

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Notes	**31 December 2011 RMB'million**	31 December 2010 RMB'million
Capital and reserves			
Share capital	*12*	**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		**7,969**	11,539
Convertible bonds		**2,225**	2,117
Notes		**6,520**	2,945
Derivative financial instruments designated as hedging instruments		**150**	218
Loans from non-controlling shareholders of subsidiaries		**2,078**	1,653
Deferred tax liabilities		**3,710**	3,001
Defined benefit liabilities		**7**	5
		22,659	21,478
Total equity and non-current liabilities		**52,130**	47,506

Notes to the consolidated financial statements:

1. General

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.

2. Presentation

The Hong Kong dollar figures presented in the consolidated income statement and consolidated statement of comprehensive income 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.

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 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.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRC 14 (Amendments)	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.

New and revised IFRS issued though 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

3. Application of New and Revised International Financial Reporting Standards - continued

New and revised IFRS issued though not yet effective - continued

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

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of 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.

The amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets deal mainly with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. All of the Group's investment properties are located in the People's Republic of China ("PRC"). The Directors of the Company 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 investment properties 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 would reflect the tax consequences of recovering the carrying amount of the investment properties through use.

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.

3. Application of New and Revised International Financial Reporting Standards - continued

New and revised IFRS issued though not yet effective - continued

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 will 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.

4. Turnover and Segmental Information

An analysis of the turnover of the Group and associates for the year is as follows:

	Year ended 31 December			
		2011		2010
	Group RMB'million	**Share of associates RMB'million**	**Total RMB'million**	Group and total 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.

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

4. Turnover and Segmental Information - continued

	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**
SEGMENT 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**

	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

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.

5. Operating Profit

	Year ended 31 December	
	2011	2010
	RMB'million	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

6. Finance Costs, Net of Exchange Gain

	Year ended 31 December	
	2011	2010
	RMB'million	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	**151**	125
Interest on convertible bonds	**230**	56
Interest on notes	**485**	5
Add: Net interest expenses from interest rate swaps designated as cash flow hedge	**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.

7. Taxation

	Year ended 31 December	
	2011	2010
	RMB'million	RMB'million
PRC Enterprise Income Tax		
- Current provision	**572**	335
Deferred taxation		
- Provision for the year	**849**	807
PRC Land Appreciation Tax		
- Provision for the year	**641**	215
	2,062	1,357

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.

7. Taxation - continued

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.

8. Dividends

	Year ended 31 December	
	2011	2010
	RMB'million	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$583million (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 of Hong Kong Limited, 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. 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 12.

9. 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:

	Year ended 31 December	
	2011	2010
	RMB'million	RMB'million
Earnings		
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

	Year ended 31 December	
	2011	2010
	'million	'million
Number of shares		
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

	Year ended 31 December	
	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.

10. Accounts Receivable, Deposits and Prepayments

	31 December 2011 RMB'million	31 December 2010 RMB'million
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	**86**	64
Current accounts receivable comprise:		
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
Trade receivables	**458**	146
Prepayments of relocation costs	**1,815**	1,304
Deposit for land acquisition	**-**	1,838
Other deposits, prepayments and receivables	**230**	316
	2,503	3,604

Trade receivables comprise:

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

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

11. Accounts Payable, Deposits Received and Accrued Charges

	31 December 2011 RMB'million	31 December 2010 RMB'million
Trade payables with aging 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

Note:

(a) Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.

(b) Pursuant to a sale 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 indirectly wholly owned subsidiary of the Company which engages in 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 sale 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.

12. Share Capital

	Authorised		Issued and fully paid	
Ordinary shares of US$0.0025 each	Number of shares	US$'000	Number of shares	US$'000
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 8)	-	-	188,931,093	473
At 31 December 2010 and 31 December 2011	**12,000,000,000**	**30,000**	**5,211,587,981**	**13,029**

	31 December 2011 RMB'million	31 December 2010 RMB'million
Shown in the consolidated statement of financial position as	**102**	102

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 other 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).

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, i*ncrease 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	2010	Change
	RMB'million	RMB'million	%
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 bond 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)	**Due within one year**	**Due in more than one year but not exceeding two years**	**Due in more than two years but not exceeding five years**	**Due in more than five years**
	RMB'million	RMB'million	RMB'million	RMB'million	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.

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.

FINAL DIVIDEND

The Board has resolved to recommend to 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) 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 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 May 2012 to 6 June 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 25 May 2012.

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 enhancing its corporate governance practices appropriate to the conduct and growth of its business and to reviewing its corporate governance practices from time to time to ensure they comply with the Code on Corporate Governance Practices (the "CG Code" contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which was valid up to 31 December 2011) and align with its latest amendments.

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 during the year ended 31 December 2011.

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

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

<u>Executive Directors</u>
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)

<u>Non-executive Directors</u>
Mr. LEUNG Chun Ying (Resigned with effect from 31 December 2011)
Mr. Frankie Y. L. WONG (Appointed with effect from 17 August 2011)

<u>Independent Non-executive Directors ("INEDs")</u>
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.

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 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
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 ("Professor BIDDLE")
Dr. Edgar W. K. CHENG (resigned with effect from 3 November 2011)
Dr. Roger L. McCARTHY ("Dr. McCARTHY")
Mr. Frankie Y. L. WONG (appointed with effect from 3 November 2011)

Professor BIDDLE and Dr. McCARTHY are INEDs. 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 2011, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditors.

Remuneration Committee
During the year ended 31 December 2011, the Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. Vincent H. S. LO ("Mr. LO") and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are INEDs. 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.

Nomination Committee
The Nomination Committee currently comprises three members, Mr. LO, Sir John R. H. BOND ("Sir John BOND") and Professor BIDDLE. Sir John BOND and Professor BIDDLE are INEDs. The Chairman of the Nomination Committee is Mr. 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.

Finance Committee
During the year ended 31 December 2011, the directors who were members of the Finance Committee were Mr. LO, Sir John BOND, Dr. FUNG, Professor 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 BOND, Dr. FUNG and Professor BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. LO.

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

Compliance with Code on Corporate Governance Practices
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 chief executive officer ("CEO") should be separate and should not be performed by the same individual.

With the appointment of Mr. Freddy C. K. LEE as CEO of the Company on 16 March 2011, while Mr. 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.

At the time of this report, the Company has already taken steps to make an earlier adoption of the revised mandatory requirements of the relevant Listing Rules and CG Code of the Stock Exchange prior to its latest effective date on 1 April 2012.

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 2011 annual report which will be sent to the shareholders of the Company in mid April 2012.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2011, the number of employees in the Group was 1,262 (31 December 2010: 1,267); the headcount of the property management business acquired in 2008 was 1,322 (31 December 2010: 1,350). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organized by professional bodies and educational institutes.

The Group strongly believes in the principle of equality of opportunity. The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competency displayed in achieving our corporate goals.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as of 31 December 2011, and consolidated income statement, consolidated statement of comprehensive income 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

Finally, I would like to express my gratitude to my fellow Directors for their counsel, and to our staff for their dedication and hard work, all of which have 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 that we are capable of meeting our targets and creating further value for shareholders.

By Order of the Board
Shui On Land Limited
Vincent H. S. LO
Chairman

Hong Kong, 21 March 2012

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman), Mr. Freddy C.K. LEE (Chief Executive Officer) and Mr. Daniel Y. K. WAN; the non-executive director of the Company is Mr. Frankie Y.L. WONG; and the independent non-executive directors of the Company are Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW.

* *For identification purposes only*