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 2006 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

HIGHLIGHTS

- **Successfully listed on the main board of the Hong Kong Stock Exchange in October 2006**
- **Turnover increased significantly by 3.6 times to RMB 4,729 million (2005: RMB 1,018 million)**
- **Gross profit increased significantly by 3.3 times to RMB 2,984 million (2005: RMB 691 million)**
- **Profit attributable to shareholders before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments increased significantly by 14.8 times to approximately RMB 1,536 million (2005: approximately RMB 97 million) and exceeded the profit forecast of RMB 1,450 million by 5.9% for 2006 as stated in the Company's prospectus dated 20 September 2006**
- **Profit attributable to shareholders after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments increased significantly by 2.0 times to approximately RMB 1,146 million (2005: approximately RMB 380 million) and also exceeded the profit forecast of RMB 982 million by 16.7% for 2006 as stated in the Company's prospectus dated 20 September 2006**
- **Earnings of RMB 48 cents per share (2005: RMB 22 cents per share)**
- **Recommend a final dividend of HK 6 cents per share**
- **Total assets increased by 40% to approximately RMB 26 billion (2005: approximately RMB 18.6 billion)**
- **Net gearing ratio at a low level of approximately 5% as at 31 December 2006, making us well positioned to consider various funding options for new projects as the needs arise**
- **A landbank of approximately 8.4 million sq.m. of gross floor area providing an aggregate leasable and saleable gross floor area of approximately 6.9 million sq.m.**
- **Selected as a constituent of the Morgan Stanley Capital International ("MSCI") Standard Index Series and Global Growth Index Series in February 2007 and as a constituent of the 200-Stock Hang Seng Composite Index Series and Hang Seng Freefloat Index Series in March 2007**

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 as the "Group") for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Notes	**(Expressed in Rmb'000) 2006**	2005
Turnover	4	**4,729,266**	1,017,798
Cost of sales		**(1,745,404)**	(326,698)
Gross profit		**2,983,862**	691,100
Other income	5	**255,890**	101,827
Staff costs		**(145,788)**	(77,650)
Depreciation and release of prepaid lease payments		**(27,474)**	(23,987)
Other expenses		**(512,497)**	(252,208)
Share of profit of associates		**694**	—
Share of loss of a jointly controlled entity		**—**	(52)
Net loss on change in fair value of derivative financial instruments	6	**(477,504)**	(1,180)
Increase in fair value of investment properties		**144,849**	606,565
Gain on partial disposal of equity interest in subsidiaries		**582,337**	—
Finance costs	7	**(218,777)**	(166,873)
Profit before taxation		**2,585,592**	877,542
Income tax expense	8	**(946,052)**	(331,856)
Profit for the year		**1,639,540**	545,686
Attributable to:			
Equity holders of the Company		**1,145,797**	379,962
Minority interests		**493,743**	165,724
		1,639,540	545,686
Proposed dividend	9	**248,065**	—
Earnings per share	10		
Basic		**RMB 48 cents**	RMB 22 cents
Diluted		**RMB 38 cents**	RMB 14 cents

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	Notes	**(Expressed inRmb'000) 2006**	2005
Non-current assets			
Investment properties		**6,204,900**	5,877,300
Property, plant and equipment		**188,265**	168,006
Prepaid lease payments		**3,710,446**	2,664,625
Properties under development		**1,759,836**	1,126,833
Interests in associates		**3,194**	2,500
Accounts receivable	11	**146,907**	33,214
Pledged bank deposits		**367,791**	1,619
Defined benefit assets		**4,541**	3,433
Deferred tax assets		**4,439**	94,260
		12,390,319	9,971,790
Current assets			
Inventories		**2,330**	2,222
Properties under development		**4,749,259**	5,244,106
Properties held for sale		**1,799,400**	156,744
Accounts receivable, deposits and prepayments	11	**1,444,008**	678,747
Loan receivable		**227,067**	—
Amount due from an associate		**1,758**	1,821
Amounts due from related parties		**99,924**	164,053
Amount due from a minority shareholder of a subsidiary		**5,624**	5,624
Early redemption rights		**29,829**	7,058
Pledged bank deposits		**833,716**	407,839
Bank balances and cash		**4,452,011**	1,988,944
		13,644,926	8,657,158
Current liabilities			
Accounts payable, deposits received and accrued charges	12	**1,752,878**	1,739,473
Amounts due to related parties		**72,806**	138,002
Amounts due to minority shareholders of subsidiaries		**267,003**	272,699
Warrants		**—**	231,474
Tax liabilities		**75,592**	106,962
Bank borrowings — due within one year		**1,683,314**	2,657,022
		3,851,593	5,145,632
Net current assets		**9,793,333**	3,511,526
Total assets less current liabilities		**22,183,652**	13,483,316
Capital and reserves			
Share capital		**84,415**	36,164
Reserves		**13,867,457**	4,719,630
Equity attributable to equity holders of the Company		**13,951,872**	4,755,794
Minority interests		**1,212,860**	306,059
Total equity		**15,164,732**	5,061,853
Non-current liabilities			
Loan from a minority shareholder of a subsidiary		**182,869**	173,714
Notes		**2,762,124**	2,787,811
Bank borrowings — due after one year		**2,031,634**	1,262,794
Deferred tax liabilities		**2,034,636**	1,321,908
Convertible redeemable preference shares		**—**	2,875,236
Derivative financial instrument designated as hedging instrument		**7,657**	—
		7,018,920	8,421,463
		22,183,652	13,483,316

Notes to the accounts:

1. General

Shui On Land was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The ordinary shares of nominal value of US$ 0.0025 per share (the "shares") of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 4 October 2006.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") Not Yet Effective

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and financial position of the Group.

IAS 1 (Amendment)	Capital Disclosures[1]
IFRS 7	Financial Instruments: Disclosures[1]
IFRS 8	Operating Segments[2]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[3]
IFRIC 8	Scope of IFRS 2[4]
IFRIC 9	Reassessment of Embedded Derivatives[5]
IFRIC 10	Interim Financial Reporting and Impairment[6]
IFRIC 11	IFRS 2 - Group and Treasury Share Transactions[7]
IFRIC 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the prospectus dated 20 September 2006.

4. Turnover and Segmental Information

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

	2006 ***RMB'000***	2005 *RMB'000*
Property sales	**4,283,412**	603,989
Rental income received from investment properties	**358,239**	333,736
Income from operations of serviced apartments	**25,250**	24,802
Property management fees	**22,166**	16,888
Others	**40,199**	38,383
	4,729,266	1,017,798

Business segment

For management purposes, the Group is currently organised into two operating divisions - property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

For the year ended 31 December 2006

	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
TURNOVER				
Segment sales	**4,283,412**	**428,867**	**16,987**	**4,729,266**
RESULTS				
Segment results	**2,395,349**	**471,083**	**(9,344)**	**2,857,088**
Interest income				**96,253**
Finance costs				**(218,777)**
Share of profit of associates				**694**
Net loss on change in fair value of derivative financial instruments				**(477,504)**
Gain on partial disposal of equity interest in subsidiaries				**582,337**
Net unallocated expenses				**(254,499)**
Profit before taxation				**2,585,592**
Income tax expense				**(946,052)**
Profit for the year				**1,639,540**
OTHER INFORMATION				
Allowance for amount due from a jointly controlled entity	**—**	**—**	**1,294**	**1,294**
Allowance for bad and doubtful debts	**—**	**657**	**—**	**657**
Capital additions	**4,462,738**	**134,571**	**18,147**	**4,615,456**
Depreciation of property, plant and equipment charged to consolidated income statement	**1,698**	**14,073**	**10,591**	**26,362**
Release of prepaid lease payments charged to consolidated income statement	**—**	**1,112**	**—**	**1,112**
Loss on disposal of property, plant and equipment	**74**	**2,208**	**1,017**	**3,299**
BALANCE SHEET				
ASSETS				
Segment assets	**13,306,449**	**6,439,571**	**61,607**	**19,807,627**
Interests in associates				**3,194**
Unallocated corporate assets				**6,224,424**
Consolidated total assets				**26,035,245**
LIABILITIES				
Segment liabilities	**(1,500,350)**	**(172,638)**	**(3,490)**	**(1,676,478)**
Unallocated corporate liabilities				**(9,194,035)**
Consolidated total liabilities				**(10,870,513)**

For the year ended 31 December 2005

	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
TURNOVER				
Segment sales	603,989	397,289	16,520	1,017,798
RESULTS				
Segment results	271,112	932,134	(9,733)	1,193,513
Interest income				15,701
Finance costs				(166,873)
Share of loss of a jointly controlled entity				(52)
Net loss on change in fair value of derivative financial instruments				(1,180)
Net unallocated expenses				(163,567)
Profit before taxation				877,542
Income tax expense				(331,856)
Profit for the year				545,686
OTHER INFORMATION				
Allowance for amount due from a jointly controlled entity	—	—	10,143	10,143
Allowance for bad and doubtful debts	—	984	—	984
Capital additions	4,588,144	146,684	21,574	4,756,402
Depreciation of property, plant and equipment charged to consolidated income statement	282	16,485	6,108	22,875
Release of prepaid lease payments charged to consolidated income statement	—	1,112	—	1,112
BALANCE SHEET				
ASSETS				
Segment assets	9,791,730	6,112,337	36,359	15,940,426
Interests in associates				2,500
Unallocated corporate assets				2,686,022
Consolidated total assets				18,628,948
LIABILITIES				
Segment liabilities	(720,529)	(301,818)	(2,931)	(1,025,278)
Unallocated corporate liabilities				(12,541,817)
Consolidated total liabilities				(13,567,095)

Geographical segment

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

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

5. Other Income

	2006 ***RMB'000***	2005 *RMB'000*
Interest income	**89,770**	15,701
Imputed interest income on consideration receivable on disposal of equity interest in subsidiaries	**6,483**	—
Sundry income	**13,637**	9,843
Net exchange gain	**78,395**	44,670
Grant received from local government	**67,605**	31,453
Gain on disposal of property, plant and equipment	**—**	160
	255,890	101,827

6. Net Loss on Change in Fair Value of Derivative Financial Instruments

	2006 ***RMB'000***	2005 *RMB'000*
Loss on change in fair value of warrants	**357,349**	3,132
Loss on change in fair value of conversion option of senior preference shares	**143,168**	—
Gain on change in fair value of early redemption rights	**(23,013)**	(1,952)
	477,504	1,180

7. Finance Costs

	2006 ***RMB'000***	2005 *RMB'000*
Interest on bank loans and overdrafts wholly repayable within five years	**212,693**	130,959
Interest on amounts due to shareholders and a fellow subsidiary wholly repayable within five years	**1,174**	26,306
Interest on amount due to a minority shareholder of a subsidiary wholly repayable within five years	**4,200**	4,200
Imputed interest on loan from a minority shareholder of a subsidiary wholly repayable within five years	**9,155**	2,948
Interest on consideration payable on acquisition of additional interests in subsidiaries	**31,765**	—
Interest on convertible redeemable preference shares	**273,102**	296,398
Interest on notes	**322,204**	73,144
Other finance costs	**7,996**	9,036
	862,289	542,991
Less: Amount capitalised to properties under development	**(643,512)**	(376,118)
	218,777	166,873

Borrowing cost capitalised during the year ended 31 December 2006 arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 12% (2005: 12%) to expenditure on the qualifying assets.

8. Income Tax Expense

	2006 ***RMB'000***	2005 *RMB'000*
PRC Enterprise Income Tax:		
Current taxation		
- Provision for the year	**166,525**	115,355
- Underprovision in prior year	**17,427**	—
	183,952	115,355
Deferred taxation	**762,100**	216,501
	946,052	331,856

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

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.

9. Proposed Dividend

	2006 ***RMB'000***	2005 *RMB'000*
Final dividend proposed for 2006 of HK 6 cents per share	**248,065**	—

The final dividend in respect of 2006 of HK 6 cents (equivalent to RMB 5.93 cents) (2005: nil) per ordinary share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting (the "Annual General Meeting").

10. Earnings Per Share

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

Earnings

	2006 ***RMB'000***	2005 *RMB'000*
Earnings for the purposes of basic earnings per share, being profit for the year attributable to equity holders of the Company	**1,145,797**	379,962
Effect of dilutive potential ordinary shares:		
Interest on convertible redeemable preference shares charged to consolidated income statement	**3,704**	62,537
Loss on change in fair value of conversion option of senior preference shares	**143,168**	—
Earnings for the purpose of diluted earnings per share	**1,292,669**	442,499

Number of shares

	2006 ***'000***	2005 *'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,405,144**	1,725,476
Effect of dilutive potential ordinary shares:		
Convertible redeemable preference shares	**1,002,775**	1,147,756
Warrants (Note a)	**—**	23,066
Additional consideration in respect of the Taipingqiao Sale and Purchase Agreement	**—**	272,000
Additional consideration in respect of the Rainbow Sale and Purchase Agreement	**1,929**	35,200
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,409,848**	3,203,498

Notes:

(a) The computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants since their exercise would increase in an increase in profit per share from continuing operations.

(b) The weighted average number of ordinary shares in issue for the year ended 31 December 2005 has been retrospectively adjusted for the effects of the sub-division of ordinary shares took place in May 2006.

11. Accounts Receivable, Deposits and Prepayments

Current accounts receivable (net of allowance for bad and doubtful debts) aged analysis:

	2006 ***RMB'000***	2005 *RMB'000*
Trade receivables		
Not yet due	**189,904**	9,021
Within 30 days	**52,588**	5,266
31 - 60 days	**12,230**	1,910
61 - 90 days	**3,710**	1,656
Over 90 days	**32,608**	3,667
	291,040	21,520
Consideration receivable on partial disposal of equity interests in subsidiaries	**388,914**	—
Prepayments of relocation costs	**617,338**	600,867
Deposits, other prepayments and receivables	**146,716**	56,360
	1,444,008	678,747

	2006 ***RMB'000***	2005 *RMB'000*
Non-current accounts receivable comprise:		
Receivables from sales of properties	**113,587**	—
Deferred rental receivables	**33,320**	33,214
	146,907	33,214

12. Accounts Payable, Deposits Received and Accrued Charges

	2006 *RMB'000*	2005 *RMB'000*
Accounts payable aged analysis:		
Trade payable		
Not yet due	721,649	399,064
Within 30 days	14,366	24,419
31 - 60 days	—	308
	736,015	423,791
Retention payables	75,986	95,953
Deed tax, business tax and other tax payables	673,375	323,770
Deposits received and receipt in advance from property sales	20,018	12,340
Deposits received and receipt in advance in respect of rental of investment properties	124,210	110,280
Consideration payable on acquisition of additional interests in subsidiaries	—	625,970
Other payables and accrued charges	123,274	147,369
	1,752,878	1,739,473

13. Capital Commitments

At 31 December 2006, the Group has capital commitments in respect of properties under development in the PRC of RMB 3,874 million (2005: RMB 5,356 million) and the acquisition of property, plant and equipment of RMB 2 million (2005: RMB 0.7 million).

14. Contingent Liabilities

(i) Pursuant to an agreement entered into with the district government (the "Hongkou government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB 324 million (2005: RMB 324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2006, no amount had been drawn down under this arrangement.

(ii) At 31 December 2006, certain subsidiaries of the Company had outstanding guarantees issued in favour of banks amounting to RMB 414 million (2005: RMB 16 million) in respect of mortgage facilities granted to the buyers of its residential properties.

DIVIDENDS

The Directors recommended the payment of a final dividend of HK 6 cents per share for the year ended 31 December 2006. Such final dividend is subject to shareholders' approval at the Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June 2007 to 8 June 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend payable on 29 June 2007 and to determine who are entitled to attend the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by registration not later than 4:30 p.m. on 31 May 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2006 was a year of continued high growth trajectory for the Group. Turnover was RMB 4,729 million (2005: RMB 1,018 million), representing an increase of 3.6 times over 2005.

Profit attributable to shareholders before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments increased significantly by 14.8 times to approximately RMB 1,536 million (2005: approximately RMB 97 million) and exceeded the profit forecast of RMB 1,450 million by 5.9% for 2006 as stated in the Company's prospectus dated 20 September 2006.

Profit attributable to shareholders after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments increased significantly by 2.0 times to approximately RMB 1,146 million (2005: approximately RMB 380 million) and also exceeded the profit forecast of RMB 982 million by 16.7% for 2006 as stated in the Company's prospectus dated 20 September 2006.

Set out below is a comparison of the profits achieved to the profit forecasts for 2006 and the profits for 2005.

	2006 *RMB million*	2006 Forecast *RMB million*	2005 *RMB million*
Net profit attributable to equity holders of the Company before (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments	**1,536**	1,450	97
Revaluation increase on investment properties (net of deferred tax effect and share of minority interests)	**88**	76	284
Fair Value Adjustment on Derivative Financial Instruments	**(478)**	(544)	(1)
Net profit attributable to equity holders of the Company after (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments	**1,146**	982	380

We continue to focus on our unique business model of creating value through master planning in city-core development and integrated residential development projects. We have five city-core development projects and one integrated residential development project in our portfolio with a combined approximately 8.4 million sq.m. of gross floor area ("GFA") including open areas and other public facilities, all located in prime locations, three in Shanghai, and one each in Chongqing, Wuhan and Hangzhou. Through this unique business model and our premium branding and reputation we have been able to establish in China accelerated capital value appreciation in our property portfolio and premium pricing of our residential projects.

Property Development and Sales

For the year under review, the Group completed properties for sale with a total saleable GFA of 229,000 sq.m. that comprised:

All GFA figures are in sq.m. rounded to the nearest thousand

Project	Total GFA	Residential GFA	Office GFA	Other* GFA	Group's interest
Shanghai Taipingqiao Lot 114 ("Lakeville Regency")	136,000	127,000	—	9,000	69%
Shanghai Rui Hong Xin Cheng Phase 2 (Blocks 15 & 16)	31,000	31,000	—	—	99%
Shanghai Knowledge and Innovation Community R1	71,000	41,000	30,000	—	70%
Total GFA	**238,000**	**199,000**	**30,000**	**9,000**	
Less: Non-Saleable GFA	(9,000)	—	—	(9,000)	
Total Saleable GFA	**229,000**	**199,000**	**30,000**	**—**	

** Other includes GFA from clubhouse, which is not for sale.*

Saleable GFA completed and unsold as of 1 January 2006 was approximately 16,000 sq.m. As such, the total GFA available for sale in 2006 was 245,000 sq.m.

Turnover from property sales was RMB 4,283 million in 2006, representing approximately 123,000 sq.m. of GFA. The majority of our 2006 property sales were derived from Lakeville Regency, phase 2 of our Shanghai Taipingqiao project and from our Shanghai Rui Hong Xin Cheng project which is located in Hongkou.

An analysis of our GFA sold and our average selling prices in 2006 is set out below:

All GFA figures are in sq.m. rounded to the nearest thousand

Project	Date completed	Total GFA sold (sq.m.)	Average selling price (RMB/sq.m.)	Group's interest
Shanghai Taipingqiao Lot 114 ("Lakeville Regency")	Sept 2006	74,000	50,000	69%
Shanghai Rui Hong Xin Cheng Phase 2	Sept 2006	44,000	16,000	99%
Shanghai Knowledge and Innovation Community R1	Aug 2006	5,000	16,000	70%
Total		**123,000**		

Lot 113 of our Shanghai Taipingqiao project and the first phases of our Chongqing Tiandi and Wuhan Tiandi projects are currently under construction. We expect pre-sale and leasing activities to commence towards the end of 2007 or early 2008.

The Chongqing Tiandi project is a city-core development, situated on the south bank of Jialing River, with an expected total leasable and saleable GFA of approximately 2.8 million sq.m. upon completion. It comprises a large residential area, entertainment and cultural properties, modern high quality office buildings, an exhibition centre and luxury hotels, as well as a man-made lake and is expected to be completed in phases over the next eight years. The Wuhan Tiandi project is also a city-core development project with an expected total leasable and saleable GFA of approximately 1.4 million sq.m. upon completion. The project comprises two main sites and will contain Grade A office buildings, high-end retail facilities and hotels and residential properties, also expected to be completed in phases over the next eight years.

Property Investments

For the year under review, the Group completed investment properties with a GFA of 70,000 sq.m., bringing the Group's total investment properties GFA to 239,000 sq.m. The Group's portfolio of investment properties as at 31 December 2006 comprises:

All GFA figures are in sq.m. rounded to the nearest thousand

Project	Date completed	Total GFA	Office GFA	Retail GFA	Others GFA	Group's interest
Completed prior to 2006						
Shanghai Xintiandi	Aug 2002	57,000	5,000	46,000	6,000	97%
Corporate Avenue (Lot 110)	Mar 2004	83,000	76,000	7,000	—	99%
Shanghai Rui Hong Xin Cheng Phase 2 Commercial Complex, North Building	Sept 2004	30,000	—	25,000	5,000	99%
Hangzhou Xihu Tiandi Phase 1	May 2003	6,000	—	5,000	1,000	100%
Sub-total		**176,000**	**81,000**	**83,000**	**12,000**	
Completed in 2006						
Shanghai Rui Hong Xin Cheng Phase 2 Commercial Complex, South Building	Sept 2006	3,000	—	3,000	—	99%
Shanghai Knowledge and Innovation Community R1	Aug 2006	15,000	8,000	7,000	—	70%
Shanghai Knowledge and Innovation Community Hub 1	Nov 2006	52,000	29,000	23,000	—	70%
Sub-total		**70,000**	**37,000**	**33,000**	**—**	
Total investment property GFA		**246,000**	**118,000**	**116,000**	**12,000**	
Less: Non-leasable GFA*		(7,000)	—	—	(7,000)	
Total leasable GFA as at 31 December 2006		**239,000**	**118,000**	**116,000**	**5,000**	

** Represented by clubhouse which is not for sale nor for lease*

As at 31 December 2006, the occupancy rates of our investment properties were as follows:

Project	Occupancy rate
Shanghai Xintiandi	94%
Corporate Avenue	98%
Shanghai Rui Hong Xin Cheng Phase 2 Commercial Complex	86%
Shanghai Knowledge and Innovation Community R1	9%
Xihu Tiandi Phase 1	98%

Rental income from our investment properties in 2006 was RMB 358 million, representing an increase of RMB 24 million or approximately 7% over 2005, primarily due to an increase in average rental rates for Corporate Avenue and Shanghai Xintiandi.

Shanghai Xintiandi

Shanghai Xintiandi is a portion of Phase 1 of the entire Shanghai Taipingqiao redevelopment area, and is a mixed-use property development project located at the city centre of Shanghai. It has been developed as a low density commercial, residential, entertainment and cultural complex. Shanghai Xintiandi is an award winning historic zone, which has been opened since 2001, and was fully completed in 2002. Shanghai Xintiandi has become popular with both locals and visitors. It also features a boutique hotel (88 Xintiandi). During 2006, we achieved 94% occupancy in Shanghai Xintiandi, with a long waiting list of potential tenants.

Corporate Avenue

Completed in March 2004, Corporate Avenue is the first phase of the Shanghai Taipingqiao corporate headquarters zone and is located overlooking Taipingqiao Lake. The development comprises a 3-storey commercial building and two premium Grade A office towers, both rising above a common 2-storey commercial podium and a 2-level basement, which accommodates car parking spaces and other building facilities.

Shanghai Rui Hong Xin Cheng commercial complex

The commercial complex is located in Phase 2 of Shanghai Rui Hong Xin Cheng, an upper-middle neighbourhood, and is directly connected to a metro station. It includes a 3-level shopping complex and a 2-level commercial podium situated beneath the residential blocks.

Shanghai Knowledge and Innovation Community

Newly opened in 2006, the Shanghai Knowledge and Innovation Community is located close to 17 universities and colleges in the northeast of downtown Shanghai. Shanghai Knowledge Innovation Community is designed to inspire innovation and entrepreneurship, supported by retail, entertainment and sporting facilities to create a "study, live, work and play" lifestyle. Construction of Hub 1 of Shanghai Knowledge and Innovation Community was completed in November 2006 and potential tenants have signed letters of intent indicating that a satisfactory occupancy rate can be achieved in 2007.

Xihu Tiandi

Set in a park on the renowned West Lake in Hangzhou, Xihu Tiandi is another historic restoration project that is similar to Shanghai Xintiandi. Phase 1 of the project comprises 10 retail blocks and amenities completed in May 2003.

Landbank

Landbank comprises properties under relocation, planning and construction. They represent projects for which the Group has entered into a legally binding master agreement or similar arrangement with, or which we have been awarded following a competitive tender by the relevant regulatory authorities.

As at 31 December 2006, the Group's landbank amounted to approximately 8.4 million sq.m. of GFA located in four cities, namely Shanghai, Chongqing, Wuhan and Hangzhou. Of that amount, the Group's saleable and leasable area amounted to approximately 6.5 million sq.m. of GFA. This is sufficient for the Group's development plans up to 2015. This area together with our approximately 0.4 million sq.m. of completed and unsold properties and approximately 1.5 million sq.m. of open areas and other public facilities render a total GFA of approximately 8.4 million sq.m.

The table below sets out the GFA information on the Group's total saleable and leasable area, which excludes open areas and other public facilities, as at 31 December 2006:

All GFA figures are in sq.m. rounded to the nearest thousand

		Landbank		Completed properties Unsold			
Project	Total GFA	Leasable GFA	Saleable GFA	Leasable GFA	Saleable GFA	Clubhouse GFA	Group's interest
Shanghai Taipingqiao	1,017,000	474,000	336,000	139,000	53,000	15,000	69%, 97%, & 99%*
Shanghai Rui Hong Xin Cheng	1,080,000	181,000	860,000	28,000	3,000	8,000	99%
Shanghai Knowledge and Innovation Community	518,000	193,000	189,000	67,000	66,000	3,000	70%
Chongqing Tiandi	2,849,000	1,314,000	1,526,000	—	—	9,000	79.4%
Wuhan Tiandi	1,406,000	680,000	725,000	—	—	1,000	100%
Xihu Tiandi	52,000	46,000	—	5,000	—	1,000	100%
Total	**6,922,000**	**2,888,000**	**3,636,000**	**239,000**	**122,000**	**37,000**	

* *We have a 69.3% interest in our development of Lakeville Regency, a 97% interest in Shanghai Xintiandi and a 99% interest in the remaining lots within the Shanghai Taipingqiao project, except for Lot 116, in which we have a 98% interest.*

In response to the market opportunities and development in China, it is our strategy to continue to increase our landbank in prime locations to accelerate our growth. As mentioned in the Initial Public Offering ("IPO") prospectus, we signed an agreement in July 2006 with the Kunming municipal government to collaborate to research and determine the feasibility in the redevelopment of the northern Caohai district of Kunming. The identified site, with a mixed use of entertainment, cultural, live, work and other facilities, is approximately 4 square kilometers in size and is adjacent to the current city centre, the famous Dianchi Lake, and surrounding the Daguan Park. According to our proposed master plan, the project will have an expected GFA of approximately 2.5 million sq.m. upon completion, subject to change and approval.

In November 2006, we also announced plans to acquire development rights to a piece of land in Yangpu district, Shanghai (also known as Plot A of Lot 24), with an aggregate above ground GFA of approximately 137,400 sq.m. for office and commercial use, through the acquisition of a local company.

If we are successful in acquiring the development rights to the above-mentioned projects, the Group's property portfolio is expected to grow from 8.4 million sq.m. to 11.0 million sq.m., representing an increase of approximately 2.6 million sq.m. or 31%.

In addition, we have received recently an invitation from Shui On Company Limited to participate in a joint venture development of the Dalian Software Park Phase 2, a large-scale city-core development in Dalian. This will cater for the software outsourcing industry, a sector identified by the Dalian Municipal Government as an economic priority for the city. The project will have an expected GFA of approximately 3.9 million sq.m. upon completion, subject to change and approval. We are currently evaluating this investment opportunity. The Group is contemplating a non-controlling interest if it decides to participate, although it is expected that the Group will be the largest single shareholder in the company that owns the project.

Accelerate Growth Through Strategic Partnership

In 2006, we sold a 19.8% interest in our Chongqing Tiandi project to two strategic partners for an aggregate consideration of RMB 1,007 million. As a result of this, a gain of RMB 582 million has been reported and is included in the Group's profit in 2006. By seeking opportunities to enter into strategic partnerships with investors, the Company has been able to accelerate capital for other investment opportunities. It has also helped to share the overall risk involved in developing large-scale projects.

We will continue to forge strategic partnership with other developers, contractors, consultants and other investors with a view to realising the value of our existing sites held for future development at an early stage should the opportunity arise. Whenever we develop good working relationships, in a particular project in a particular city, we intend to replicate that relationship, to the extent commercially feasible, in our other projects that we have in the same city or elsewhere, thereby also enhancing our operational efficiency.

Outlook

In 2006, the PRC Government introduced a series of macro control policies designed to stabilise the real estate market with particular focus on the residential sector. China's plan, however, for continuing rapid economic development will continue to further transform and develop its cities (approximately 20 of which have a population of more than five million people). The continued development of its cities should generate significant economic value for China and opportunities for well capitalised and proven property companies such as Shui On Land. We believe an integral part of the transformation of these cities into modern commercial service centres will depend upon efficient innovative master planning of land utilisation. Our business model, built upon large scale master planned development projects, position us to benefit from the expected emergence of modern cities in China. We are one of the few leading property developers with experience in managing large-scale, complex, long term projects in China. We are also one of the few companies that hold a quality portfolio of the properties that we have developed as strategic, long-term investments. We believe that Shui On Land is well positioned to increase the scale of its operations by leveraging on our master planning expertise, if and when we feel the right opportunity presents itself. As such, the Group intends to grow by acquiring further landbank in the manner that is set out below in the section headed "Future Plans for Material Investments, Capital Assets and Sources of Funding".

The Company has been selected as a constituent of the Morgan Stanley Capital International ("MSCI") Standard Index Series and Global Growth Index Series in February 2007 and also as a constituent of both the 200-Stock Hang Seng Composite Index and the Hang Seng Freefloat Index Series in March 2007.

Financial Review

Turnover and Operating Results

Turnover increased significantly by 3.6 times to RMB 4,729 million (2005: RMB 1,018 million), primarily due to an increase in the level of property sales.

Gross profit increased significantly by 3.3 times to RMB 2,984 million (2005: RMB 691 million). Gross margin was 63% for 2006 as compared to 68% in 2005. Sufficient provision for Land Appreciation Tax has been made and included in cost of sales.

Other income increased to approximately RMB 256 million (2005: approximately RMB 102 million) due largely to exchange gains from our foreign currency bank loans as a result of Renminbi appreciation in 2006 and an increased in interest income as a result of an increased level of deposits with banks after our IPO.

Staff costs increased to approximately RMB 146 million in 2006, compared to approximately RMB 78 million in 2005, due to an increased headcount and general salary increment.

Other expenses increased to approximately RMB 512 million in 2006 from approximately RMB 252 million in 2005. The increase includes professional fees of approximately RMB 151 million that had been incurred in relation to the listing of the shares on the Hong Kong Stock Exchange in 2006. In addition, we have incurred a higher level of sales and marketing expenses in promoting our residential properties in Shanghai, namely Lakeville Regency which is located in our Shanghai Taipingqiao project; phase 1 of our Shanghai Knowledge and Innovation Community project; and phase 2 of our Shanghai Rui Hong Xin Cheng project.

Finance costs increased by 31% to approximately RMB 219 million in 2006 from approximately RMB 167 million in 2005 due to an increase in the average level of borrowings in 2006 related largely to the issuance of notes towards the end of 2005.

Taxation increased to approximately RMB 946 million in 2006 (2005: approximately RMB 332 million) in line with the increase in profits from property sales.

Earnings per share increased by 1.2 times to RMB 48 cents in 2006 from RMB 22 cents in 2005.

Capital Structure, Gearing Ratio and Funding

As at 31 December 2006, our utilised project loans, mortgage loans and notes amounted to approximately RMB 6,477 million (2005: RMB 9,583 million) and our shareholders' equity was approximately RMB 13,592 million (2005: RMB 4,756 million).

The structure of our borrowings as at 31 December 2006 is summarised below:

	Currency denomination	Total (in RMB equiv) *RMB million*	Due within one year *RMB million*	Due more than one year but not exceeding two years *RMB million*	Due more than two years but not exceeding five years *RMB million*
Bank Loans	RMB	1,532	1,462	—	70
	HKD	2,183	221	287	1,675
Notes	USD	2,762	—	2,762	—
Total		**6,477**	**1,683**	**3,049**	**1,745**

Our cash and bank deposits amounted to RMB 5,654 million as at 31 December 2006 (2005: RMB 2,398 million), which included RMB 1,202 million (2005: RMB 409 million) of deposits pledged to banks. The increase in cash balance during the year was due mainly to (i) the net proceeds raised from the issue of shares under the IPO; (ii) proceeds from the sale of our residential units at Lakeville Regency and phase 2 of our Shanghai Rui Hong Xin Cheng project; (iii) rental income from our investment properties; and (iv) sale of equity interests in subsidiaries to strategic partners.

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

Total undrawn banking facilities available to the Group were approximately RMB 2,560 million as at 31 December 2006. We will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet our funding requirements. Our low gearing ratio provided us with ample capacity for leverage to fund future growth. Adequate banking facilities are arranged at the group level to support the funding requirements of all group entities. New banking facilities are being obtained at competitive pricing and terms on a timely basis to match business needs and/or to refinance our existing facilities.

Application of Net IPO Proceeds

In October 2006, the Company issued a total of 671,874,600 shares at HK$5.35 each for total gross proceeds of HK$ 3,595 million. The international tranche of the IPO was approximately 17 times over-subscribed and the HK public tranche was 12 times over-subscribed.

The net proceeds from the IPO were approximately HK$ 3,302 million, after deduction of related expenses. We have utilised our net proceeds from the IPO in the manner contained in the Company's prospectus dated 20 September 2006 under the section headed "Use of Proceeds". As such, the net proceeds utilised as at 31 December 2006 was as follows:

	Net IPO Proceeds (HK$ millions)		
Use of Proceeds	Available	Utilised	Unutilised
Existing projects — being Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng, Shanghai Knowledge and Innovation Community, Chongqing Tiandi and Wuhan Tiandi	1,864	915	949
Future project funding	445	—	445
General corporate purposes	993	143	850
Total	**3,302**	**1,058**	**2,244**

Future Plans for Material Investments, Capital Assets and Sources of Funding

We intend to continue growing organically by pursuing more property development projects, particularly city-core development projects and integrated residential development projects and to continue to promote our geographic diversification by undertaking projects in appropriate regions in new cities.

We actively screened cities in different regions of China to identify suitable locations for our projects and are continually exploring new opportunities. Out of the cities that we have screened in the PRC, we have provisionally identified eight cities (including Kunming and Dalian) as preferred locations for future projects. We currently have no definitive plan for any such projects. The timing and priority of the cities where such developments might take place has not yet been determined.

We may also pursue other plans, including other ways of acquiring land development rights for the purpose of undertaking property projects, or other ways to increase the scale of our operations by leveraging on our master planning expertise, if we feel the right opportunity presents itself. In addition, we will, in appropriate cases, consider other opportunities to participate in projects of various scale where we can leverage our competitive strengths. While our primary focus is on city-core and integrated residential development projects, our track record, good relationships with business partners and well established reputation may give rise to such other opportunities.

In 2006, the Group has entered into the following land acquisitions:

(i) Chongqing Tiandi: The Group acquired phase 3 of this project on 31 December 2006 for a consideration of RMB 1,134,540,000, consisting of land transfer fee, master planning fee and land cost. The site is approximately 333,100 sq.m. in size with an aggregate GFA of approximately 535,400 sq.m. for the development of commercial and residential spaces as well as for other purposes.

(ii) Yangpu Lot 24, Plot A: The Shanghai Knowledge and Innovation Community project has enjoyed positive market response since it was launched. To further consolidate our Shanghai Knowledge and Innovation Community's position as a major centre in the Yangpu district, we have entered into a sale and purchase agreement to acquire a local company that has the right to develop a site known as Lot 24, Plot A. It has a GFA of up to 137,400 sq.m. The Company believes that the purchase of Lot 24, Plot A, will enhance our Shanghai Knowledge and Innovation Community's scale and also satisfy the increasing office demand in the Yangpu area.

Material investments will be funded, in the main, by using a combination of the proceeds from the IPO, project construction loans and mortgage and other loans, and cash provided by operating activities, including from the rental, sale and pre-sale of properties and additional offerings of equity securities, as appropriate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

As from 4 October 2006, the listing date of the shares of the Company, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the shareholders of the Company. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors of the Company. All Directors confirmed they have complied with the required standard set out in the Model Code during the period from 7 September 2006 (date of adoption of the Model Code) to 31 December 2006.

Audit Committee

The Company established an Audit Committee in June 2004 which was reconstituted in May 2006 with written terms of reference pursuant to the rules set out in Chapter 3 of the Listing Rules. The Audit Committee consists of three members, namely Professor Gary Biddle, Dr. Edgar Cheng and Dr. Roger McCarthy. All of them are Independent Non-executive Directors. The chairman of the Audit Committee is Professor Gary Biddle.

The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2006, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditors.

Remuneration Committee

The Company established a Remuneration Committee in June 2004 which was reconstituted in May 2006 with written terms of reference in compliance with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules. The Remuneration Committee consists of three members, namely Dr. William Fung, Mr. Vincent Lo and Professor Gary Biddle. Dr. William Fung and Professor Gary Biddle are Independent Non-executive Directors. The chairman of the Remuneration Committee is Dr. William Fung.

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

Compliance with Code of Corporate Governance Practices

The Company has complied with the applicable code provisions of the CG Code since 4 October 2006 (its listing date) up until 31 December 2006, and deviations from certain code provisions are listed below:

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

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

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

   To comply fully with the code provision A.4.2, the Board has proposed to put forward a special resolution to the shareholders for approval at the Annual General Meeting to amend Article 97(3) of the existing Articles of Association of the Company. Particulars of the proposed amendment together with the notice of the Annual General Meeting will be set out in a circular to be sent to the shareholders together with the Company's 2006 Annual Report.

Further information of the Company's corporate governance practices will be set out in the Corporate Governance Report of the Company's 2006 Annual Report which will be sent to the shareholders in April 2007.

EMPLOYEES AND REMUNERATION POLICY

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

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

CHANGE OF DESCRIPTION OF REGISTERED ADDRESS IN THE CAYMAN ISLANDS

Due to the change in the address system and the adoption of a new postal code in the Cayman Islands, the description of the registered address of the Company in the Cayman Islands has been changed to Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9001, Cayman Islands with immediate effect.

PROPOSAL FOR ADOPTION OF OUR SHARE OPTION SCHEME

In order to provide a strategic driver to enhance shareholder value of the Company; and to build a high performing organization with loyal staff and other key contributors, the Board intends to put forward a proposal to adopt a share option scheme (the "Share Option Scheme") which will be in conformity with Chapter 17 of the Listing Rules to serve these purposes at the Extraordinary General Meeting of the Company to be held immediately after the Annual General Meeting. A summary of the principal terms of the Share Option Scheme will be set out in a circular to be dispatched to shareholders of the Company.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 8 June 2007 at 3:00 p.m. The notice of Annual General Meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

APPRECIATION

I want to thank each member of staff within the Company for their hard work and commitment in our endeavour to make our Company a leading property developer in the Chinese Mainland. Our people are key to our success and have always been regarded as our most important asset and we are proud of the Company's achievements in this area, and of our 'people' policies.

I would also make special note of our Chief Operating Officer, Mr. Wilfred Wong, who will resign from the Company in May this year. We thank him for his contribution and wish him every success in the future.

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

Hong Kong, 20 April 2007

** For identification purposes only*

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr. Vincent H. S. Lo; Mr. Wilfred Y. W. Wong; Mr. William T. Addison,

Non-executive Director:
The Honourable Chun Ying Leung

Independent Non-executive Directors:
Sir John R. H. Bond; Dr. Edgar W. K. Cheng; Dr. William K. L. Fung; Professor Gary C. Biddle; Dr. Roger L. McCarthy; Mr. David J. Shaw

Website:www.shuionland.com