

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

2011 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue up 12.6% to HK\$7,320.6 million; Profit for the year attributable to owners of the parent up 14.9% to HK\$1,522.1 million;
- Gross profit margin from property development segment up 2.2 percentage points to 40.5%;
- While net gearing ratio at 72.3% as of the end of 2011; Cash balance was very high at HK\$5.2 billion;
- Proposed final dividend at HK8.0 cents per share, with an annual payout ratio of 35%.

The Board of Directors (the “Directors”) of Shenzhen Investment Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011 together with the comparative figures for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000 Restated
REVENUE	4	7,320,584	6,502,460
Cost of sales		<u>(4,653,449)</u>	<u>(4,158,770)</u>
Gross profit		2,667,135	2,343,690
Other income and gains	4	463,778	357,759
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss		(1,077)	(954)
Financial liabilities at fair value through profit or loss		65,861	103,019
Increase in fair value of investment properties		311,316	595,372
Selling and distribution costs		(226,787)	(155,349)
Administrative expenses		(725,522)	(661,540)
Other expenses		(256,689)	(367,570)
Finance costs	6	(200,562)	(206,000)
Share of profits and losses of:			
Jointly-controlled entities		185,265	39,579
Associates		<u>609,575</u>	<u>392,521</u>
PROFIT BEFORE TAX	5	2,892,293	2,440,527
Income tax expense	7	<u>(1,076,534)</u>	<u>(863,660)</u>
PROFIT FOR THE YEAR		<u>1,815,759</u>	<u>1,576,867</u>

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> Restated
Attributable to:			
Owners of the parent		1,522,078	1,324,780
Non-controlling interests		293,681	252,087
		<u>1,815,759</u>	<u>1,576,867</u>

EARNINGS PER SHARE ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF
THE PARENT

9

Basic

– For profit for the year

HK42.86 cents **HK37.47 cents**

Diluted

– For profit for the year

HK42.86 cents **HK37.34 cents**

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>1,815,759</u>	<u>1,576,867</u>
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value	(5,676)	(17,520)
Income tax effect	<u>1,419</u>	<u>3,229</u>
	(4,257)	(14,291)
Share of other comprehensive income of associates	162,448	62,588
Exchange differences on translation of foreign operations	<u>819,615</u>	<u>500,438</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>977,806</u>	<u>548,735</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,793,565</u>	<u>2,125,602</u>
Attributable to:		
Owners of the parent	2,428,837	1,830,693
Non-controlling interests	<u>364,728</u>	<u>294,909</u>
	<u>2,793,565</u>	<u>2,125,602</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	31 December 2011 HK\$'000	31 December 2010 HK\$'000 Restated	1 January 2010 HK\$'000 Restated
NON-CURRENT ASSETS				
Property, plant and equipment		630,160	628,878	586,747
Intangible assets		81,372	84,305	88,092
Prepaid land lease payments		48,863	30,738	4,118
Goodwill		322,704	322,625	322,600
Investment properties		5,560,792	4,902,151	4,105,782
Investments in associates		5,276,081	5,010,384	4,970,160
Investments in jointly-controlled entities		430,866	171,008	125,927
Held-to-maturity investment		–	385,938	383,518
Available-for-sale investments		29,913	34,014	46,744
Other long term assets		1,386,939	156,876	439,635
Deferred tax assets		438,845	332,348	262,642
Pledged deposits		12,427	–	–
Total non-current assets		14,218,962	12,059,265	11,335,965
CURRENT ASSETS				
Inventories		91,677	60,286	63,200
Completed properties held for sale		3,348,072	2,441,670	1,775,443
Properties under development		15,111,752	10,813,762	9,404,382
Trade receivables	10	143,407	199,449	423,933
Prepayments, deposits and other receivables		2,995,350	2,042,731	1,141,814
Equity investments at fair value through profit or loss		19,487	20,564	21,510
Held-to-maturity investment		387,968	–	–
Restricted cash		126,425	–	–
Cash and cash equivalents		5,097,524	6,179,790	6,365,549
Total current assets		27,321,662	21,758,252	19,195,831
CURRENT LIABILITIES				
Interest-bearing bank loans		4,965,249	9,495,479	3,088,485
Derivative financial instruments		–	65,861	168,880
Trade payables	11	264,717	141,725	88,250
Other payables and accruals		4,815,051	4,085,327	4,471,746
Due to the ultimate holding company		54,641	41,616	102,390
Tax payable		1,806,695	1,400,478	1,123,261
Total current liabilities		11,906,353	15,230,486	9,043,012
NET CURRENT ASSETS		15,415,309	6,527,766	10,152,819
TOTAL ASSETS LESS CURRENT LIABILITIES				
		29,634,271	18,587,031	21,488,784
NON-CURRENT LIABILITIES				
Interest-bearing bank loans		11,514,038	2,951,719	7,374,447
Deferred tax liabilities		1,107,296	935,515	702,659
Total non-current liabilities		12,621,334	3,887,234	8,077,106
Net assets		17,012,937	14,699,797	13,411,678

		31 December 2011	31 December 2010	1 January 2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			Restated	Restated
EQUITY				
Total equity attributable to owners of the parent				
Issued capital		181,301	176,828	176,392
Reserves		15,071,996	13,050,515	11,966,669
Proposed final dividend	8	290,082	247,560	246,948
		15,543,379	13,474,903	12,390,009
Non-controlling interests		1,469,558	1,224,894	1,021,669
Total equity		17,012,937	14,699,797	13,411,678

NOTES TO FINANCIAL STATEMENTS

31 December 2011

1. Corporate information

Shenzhen Investment Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- Property development
- Property investment
- Property management
- Provision of transportation services
- Manufacturing and sale of industrial and commercial products

In the opinion of the directors, the immediate holding company of the Group is Shum Yip Holdings Company Limited (“Shum Yip Holdings”, 深業(集團)有限公司), which is a private company incorporated in Hong Kong. The ultimate holding company of the Group is 深業集團有限公司 (formerly 深業投資開發有限公司), which is a private company established in Shenzhen, the People’s Republic of China (the “PRC”).

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in accounting policy and disclosures

2.2.1 The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly-controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 15 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKFRS 3 Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.2.2 Changes in accounting policy for the investments in jointly-controlled entities

During the year, the directors elected to change the accounting policy used to account for the Group's jointly-controlled entities from proportionate consolidation to the equity method, both of which are allowed under HKAS 31. The directors considered that HKFRS 11 *Joint Arrangements*, published in June 2011 and being effective for annual periods beginning on or after 1 January 2013, removes the option to account for joint ventures using proportionate consolidation. In addition, the directors also considered that other country's framework, such as China, requires equity method accounting and does not allow proportionate consolidation, which is consistent with the policy adopted by the Group's ultimate holding Company, 深業集團有限公司 who prepared the statutory financial statements in accordance with the Chinese Accounting Standards ("CAS"). Given the above considerations, the directors believed that the adoption of the equity method for investments in jointly-controlled entities would provide more relevant and comparable information about the economic activity of the Group to the readers of the financial statements. The effect of this change did not result in any impact on the profit and equity attributable to owners of the parent in the periods prior to the change.

This change in accounting policy has been applied retrospectively and resulted in:

	Effect of the adoption of equity method (increase/(decrease) in net profits)	
	2011	2010
	HK\$'000	HK\$'000
Revenue	(301,622)	(82,138)
Other income and gains	31,562	21,499
Selling and distribution costs	1,932	328
Administrative expenses	7,653	339
Other expenses	2,933	6
Share of profits and losses of:		
Jointly-controlled entities	<u>185,265</u>	<u>39,579</u>
PROFIT BEFORE TAX	(72,277)	(20,387)
Income tax expenses	<u>72,277</u>	<u>20,387</u>
PROFIT FOR THE YEAR	<u><u>-</u></u>	<u><u>-</u></u>

	Effect of the adoption of equity method (increase/(decrease) in net assets)		
	31 December 2011 HK\$'000	31 December 2010 HK\$'000	1 January 2010 HK\$'000
Investments in jointly-controlled entities	430,866	171,008	125,927
Property, plant and equipment	(1,186)	(1,237)	(667)
Other long term assets	(943,305)	–	(726,684)
NON-CURRENT ASSETS	(513,625)	169,771	(601,424)
Inventories	(1,001)	(3)	(4)
Properties under development	–	(1,346,674)	–
Trade receivables	(151,916)	–	(109,003)
Loan to a jointly-controlled entity included in prepayments, deposits and other receivables	440,754	697,992	235,748
Prepayments, deposits and other receivables (excluded loan to a jointly-controlled entity)	(110,779)	(8,903)	(1,505)
Cash and cash equivalents	(76,268)	(65,673)	(68,688)
CURRENT ASSETS	100,790	(723,261)	56,548
Interest-bearing bank loans	–	120,003	173,778
Other payables and accruals	144,301	164,490	15,730
Tax payable	98,833	47,189	25,382
CURRENT LIABILITIES	243,134	331,682	214,890
Interest-bearing bank loans	169,701	221,808	329,986
NON-CURRENT LIABILITIES	169,701	221,808	329,986
NET ASSETS	–	–	–

	Effect of the adoption of equity method (increase/(decrease))	
	2011	2010
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	(72,277)	(20,387)
Adjustments for:		
Interest income	(31,562)	(21,499)
Depreciation	(176)	(167)
Share of profits and losses of:		
Jointly-controlled entities	(185,265)	(39,579)
	<u>(289,280)</u>	<u>(81,632)</u>
Decrease/(increase) in trade receivables	151,916	(109,003)
Decrease/(increase) in prepayments, deposits and other receivables	325,495	(454,847)
Decrease/(increase) in inventories	998	(1)
Increase in properties under development	–	552,223
Increase/(decrease) in other payables and accruals	12,164	(156,322)
	<u>201,293</u>	<u>(249,582)</u>
Cash from/(used in) operations	201,293	(249,582)
Interest paid	51,460	52,767
Mainland China taxes paid	20,631	–
	<u>273,384</u>	<u>(196,815)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	31,562	21,499
Additions to investments in jointly-controlled entities	(61,695)	–
Additions in other long term assets	(439,828)	–
Purchases of items of property, plant and equipment	65	714
	<u>(469,896)</u>	<u>22,213</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	188,787	180,005
	<u>188,787</u>	<u>180,005</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,725)	5,403
Cash and cash equivalents at beginning of year	(65,673)	(68,688)
Effect of foreign exchange rate changes, net	(2,870)	(2,388)
	<u>(76,268)</u>	<u>(65,673)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	(76,268)	(65,673)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS1 Amendments	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹ Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 Amendments	Amendments to Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income ³
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ⁵
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁴
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and

the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (“OCI”). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly-controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012. Upon the adoption, the Group's deferred tax liability with respect to investment properties located in Mainland China is expected to be reduced.

3. Operating segment information

For management purpose, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

- (a) the property development segment engages in the development of residential, industrial and commercial properties;

- (b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;
- (c) the property management segment engages in the management of both properties developed by the Group and external parties;
- (d) the transportation services segment consists of the provision of passenger transportation services, automobile maintenance and other related services;
- (e) the manufacturing segment engages in the manufacture and sale of industrial and commercial products; and
- (f) the “others” segment comprises, principally, the manufacture and sale of aluminum alloys products and other businesses.

Management monitors the operating results of the Group’s business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income, finance costs, dividend income, fair value gains from the Group’s financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, restricted cash, cash and cash equivalents, equity investments at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, an amount due to the ultimate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2011	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Transportation services HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:							
Sales to customers	5,053,060	446,782	899,707	240,678	311,489	368,868	7,320,584
Intersegment sales	49,890	5,756	6,441	–	–	86,716	148,803
	<u>5,102,950</u>	<u>452,538</u>	<u>906,148</u>	<u>240,678</u>	<u>311,489</u>	<u>455,584</u>	<u>7,469,387</u>
<i>Reconciliation</i>							
Elimination of intersegment sales							(148,803)
Revenue							<u>7,320,584</u>
Segment results before increase in fair value of investment properties	1,808,821	479,356	19,306	13,525	12,781	214,616	2,548,405
Increase in fair value of investment properties	<u>–</u>	<u>311,316</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>311,316</u>
Segment results after increase in fair value of investment properties	1,808,821	790,672	19,306	13,525	12,781	214,616	2,859,721
<i>Reconciliation</i>							
Elimination of intersegment results							(75,124)
Finance income							369,333
Dividend income and unallocated gains							22,038
Fair value gains of the financial instruments, net							64,784
Corporate and other unallocated expenses							(147,897)
Finance costs							<u>(200,562)</u>
Profit before tax							<u>2,892,293</u>
Other segment information:							
Depreciation	15,715	9,805	8,726	34,833	7,649	12,662	89,390
Amortisation of vehicle licences	–	–	–	6,446	–	–	6,446
Amortisation of prepaid land lease payments	–	–	–	–	–	1,546	1,546
Impairment loss of investment in an associate	200,000	–	–	–	–	–	200,000
Share of profits and losses of associates	441,236	134,046	5,177	4,706	–	24,410	609,575
Share of profits and losses of jointly-controlled entities	–	–	–	–	–	185,265	185,265
Investments in associates	4,624,886	115,090	15,013	47,129	15,133	458,830	5,276,081
Investments in jointly-controlled entities	61,695	–	–	–	–	369,171	430,866
Capital expenditure	<u>8,140,824</u>	<u>35,207</u>	<u>18,023</u>	<u>12,570</u>	<u>8,577</u>	<u>13,337</u>	<u>8,228,538</u>

Year ended 31 December 2010, as restated	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Transportation services HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:							
Sales to customers	4,660,705	390,849	732,283	238,911	280,540	199,172	6,502,460
Intersegment sales	–	–	15,437	–	–	43,772	59,209
	4,660,705	390,849	747,720	238,911	280,540	242,944	6,561,669
<i>Reconciliation</i>							
Elimination of intersegment sales							(59,209)
Revenue							<u>6,502,460</u>
Segment results before increase in fair value of investment properties	1,196,739	448,877	(7,250)	35,159	10,548	73,537	1,757,610
Increase in fair value of investment properties	–	595,372	–	–	–	–	595,372
Segment results after increase in fair value of investment properties	1,196,739	1,044,249	(7,250)	35,159	10,548	73,537	2,352,982
<i>Reconciliation</i>							
Elimination of intersegment results							(3,718)
Finance income							182,675
Dividend income and unallocated gains							19,238
Gain on disposal of a subsidiary							106,906
Fair value gains of the financial instruments, net							102,065
Corporate and other unallocated expenses							(113,621)
Finance costs							<u>(206,000)</u>
Profit before tax							<u>2,440,527</u>
Other segment information:							
Depreciation	11,128	8,981	7,444	33,523	7,247	12,094	80,417
Amortisation of vehicle licences	–	–	–	7,102	–	–	7,102
Amortisation of prepaid land lease payments	–	–	–	–	–	294	294
Impairment loss of investment in an associate	307,000	–	–	–	–	–	307,000
Share of profits and losses of associates	179,205	178,598	3,558	4,431	–	26,729	392,521
Share of profits and losses of jointly- controlled entities	–	–	–	–	–	39,579	39,579
Investments in associates	4,319,786	106,614	13,249	44,187	15,133	511,415	5,010,384
Investments in jointly-controlled entities	–	–	–	–	–	171,008	171,008
Capital expenditure	<u>5,208,865</u>	<u>14,245</u>	<u>6,817</u>	<u>12,778</u>	<u>6,157</u>	<u>11,592</u>	<u>5,260,454</u>

As the Group generates substantially all of its revenues from customers domiciled in the PRC, no geographical information is presented.

4. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents proceeds from the sale of properties, commercial and industrial goods, rental income, management fee income, income from transportation and others.

An analysis of revenue, other income and gains is as follows:

	2011 HK\$'000	2010 <i>HK\$'000</i> Restated
Revenue		
Sale of properties	5,053,060	4,660,705
Gross management fee income	899,707	732,283
Gross rental income from investment properties	446,782	390,849
Sale of commercial and industrial goods	311,489	280,540
Income from transportation	240,678	238,911
Others	368,868	199,172
	<u>7,320,584</u>	<u>6,502,460</u>
Other income		
Bank interest income	67,860	54,320
Interest income from:		
Held-to-maturity investment	48,374	48,014
A jointly-controlled entity	119,389	38,350
Associates	5,848	18,840
A non-controlling shareholder	7,432	–
Finance income from independent third parties	120,430	23,151
Others	92,461	63,839
	<u>461,794</u>	<u>246,514</u>
Gains		
Gains on disposal of investment properties	–	2,011
Gains on disposal of items of property, plant and equipment	1,395	2,177
Gain on disposal of a subsidiary	–	106,906
Others	589	151
	<u>1,984</u>	<u>111,245</u>
Other income and gains	<u><u>463,778</u></u>	<u><u>357,759</u></u>

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> Restated
Cost of inventories sold	3,207,965	3,063,053
Cost of services provided	738,623	583,294
Auditors' remuneration	4,650	6,912
Depreciation	89,390	80,417
Impairment of trade receivables	1,632	14,110
Reversal of impairment of trade receivables	(3,356)	(2,861)
Impairment loss of investment in an associate*	200,000	307,000
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	73,027	48,508
Minimum lease payments under operating leases in respect of land and buildings	11,968	11,101
Amortisation of vehicle licences	6,446	7,102
Amortisation of prepaid land lease payments	1,546	294
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	713,937	565,535
Equity-settled share option expense	19,926	8,371
Pension scheme contributions	99,663	84,008
Less: Amount capitalised	(31,401)	(26,468)
Net: Pension scheme contributions	68,262	57,540
	802,125	631,446
Foreign exchange differences, net	8,727	16,789
Rental income on investment properties less direct operating expenses of HK\$73,027,000 (2010:HK\$48,508,000)	(373,755)	(342,341)
Gains on disposal of investment properties	–	(2,011)
Gains on disposal of items of property, plant and equipment	(1,395)	(2,177)
Gain on disposal of a subsidiary	–	(106,906)

* The impairment loss of investment in an associate is included in "other expenses" in the consolidated income statement.

6. Finance costs

An analysis of finance costs is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> Restated
Interest on:		
Bank loans	<u>672,215</u>	<u>310,247</u>
Total interest expense on financial liabilities not at fair value through profit or loss	672,215	310,247
Less: Interest capitalised	<u>(538,970)</u>	<u>(246,433)</u>
	133,245	63,814
Other finance costs	<u>67,317</u>	<u>142,186</u>
	<u>200,562</u>	<u>206,000</u>

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 5.55% (2010: 5.27%).

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2010: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (2010: 25%) on their respective taxable income, except for certain PRC subsidiaries in the Shenzhen Special Economic Zones which are entitled to a preferential CIT rate of 24% in the year ended 31 December 2011 (2010: 22%).

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK\$478,451,000 is charged to the consolidated income statement for the year (2010: HK\$319,695,000).

	2011 HK\$'000	2010 <i>HK\$'000</i> Restated
Current – Mainland China	555,531	395,724
LAT in Mainland China	478,451	319,695
Deferred Mainland China corporate income tax	42,552	148,241
Total tax charge for the year	<u>1,076,534</u>	<u>863,660</u>

The share of tax attributable to associates and jointly-controlled entities amounting to HK\$723,512,000 (2010: HK\$505,805,000) and HK\$72,277,000 (2010: HK\$20,387,000), respectively, is included in “Share of profits and losses of associates” and “Share of profits and losses of jointly-controlled entities” on the face of the consolidated income statement.

8. Dividends

	2011 HK\$'000	2010 <i>HK\$'000</i>
Interim – HK7 cents (2010: HK7 cents) per ordinary share	247,798	247,560
Adjustment to prior year’s final dividend	238	612
Proposed final dividend of HK8 cents (2010: final dividend of HK7 cents) per ordinary share	290,082	247,560
	<u>538,118</u>	<u>495,732</u>

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,551,123,432 (2010: 3,535,689,759) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share amounts are based on:

	2011 HK\$'000	2010 <i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent,		
used in the basic and diluted earnings per share calculation:	<u>1,522,078</u>	<u>1,324,780</u>
Number of shares		
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during		
the year used in the basic earnings per share calculation	3,551,123,432	3,535,689,759
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>418,557</u>	<u>12,641,367</u>
	<u>3,551,541,989</u>	<u>3,548,331,126</u>

10. Trade receivables

	2011 HK\$'000	2010 <i>HK\$'000</i>
Trade receivables	181,667	237,615
Impairment	<u>(38,260)</u>	<u>(38,166)</u>
	<u>143,407</u>	<u>199,449</u>

Under normal circumstances, the Group does not grant any credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the contract date and net of provision, is as follows:

	2011 HK\$'000	2010 <i>HK\$'000</i>
Within one year	131,726	147,272
One to two years	2,316	16,947
Two to three years	9,365	35,230
	<u>143,407</u>	<u>199,449</u>

11. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2011 HK\$'000	2010 <i>HK\$'000</i>
Within one year	221,772	88,548
One to two years	1,069	8,638
Two to three years	6,818	2,672
Over three years	35,058	41,867
	<u>264,717</u>	<u>141,725</u>

The trade payables are non-interest-bearing.

12. Pledge of assets

At 31 December 2011, the Group's bank loans amounting to HK\$1,538,960,000 (2010: HK\$198,325,000) were secured by:

- (i) certain of the Group's land and buildings in Mainland China with a net book value of approximately HK\$4,742,000 (2010: Nil);
- (ii) certain of the Group's properties under development with a net book value of approximately HK\$1,585,366,000 (2010: Nil);
- (iii) certain of the Group's investment properties with a net book value of approximately HK\$694,920,000 (2010: HK\$504,518,000); and
- (iv) certain of the Group's bank deposits with a net book value of HK\$12,427,000 (2010: Nil).

13. Capital commitments

The Group had the following commitments at the end of the reporting period:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> Restated
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	<u>5,683,011</u>	<u>6,822,677</u>
Authorised, but not contracted for	<u>1,641,265</u>	<u>405,268</u>
	<u><u>7,324,276</u></u>	<u><u>7,227,945</u></u>

14. Contingent liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

As at 31 December 2011, the Group has given guarantees to a maximum extent of approximately HK\$1,401,107,000 (2010: HK\$962,473,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the buyer of the Group's properties obtained the individual property ownership certificate.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

15. Related party transactions

The Group had the following material transactions with the following related parties during the year:

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000 Restated
Shum Yip Holdings Company Limited, the immediate holding company:			
Rental expenses paid	(i)	5,479	4,978
Associates:			
Purchase of properties	(ii)	721,203	–
Interest income		5,848	18,840
A jointly-controlled entity:			
Interest income		119,389	38,350

Notes:

(i) *The rentals were recognised at prices based on mutual agreement between parties.*

(ii) *The transaction with the associate was the purchase of properties of Tianan Golf Longyuan at the average price of HK\$35,697 per square meter.*

16. Comparative amounts

As further explained in note 2.2.2 to the financial statements, the Group changed to adopt equity method to account for its investments in jointly-controlled entities during the current year, therefore accounting treatment and presentation of certain items in the financial statements have been revised to comply with the accounting policy changed. In addition, the comparative income statement has been re-presented as if equity method had been adopted at the beginning of the comparative period.

CHAIRMAN STATEMENT

Business Review

In 2011, China's macroeconomic situation was complicated and volatile. The central government launched the stringent monetary policies and took a series of austerity control measures like home purchasing restriction and price cap on real estate market to effectively suppress investment and speculative demand. At the same time, it increased the construction of affordable housings to establish the dual system of affordable housings and commodity residential housings. The market regulating measures began to show effects. During the year, the volume of housing transactions was severely shrunk in the first and second-tier cities, real estate transaction prices began to drop in the first-tier cities. In facing such an unfavourable industry environment, the Group had recorded steady and satisfactory results through boosting its sales, conduct prudent financial policies, reform and innovation, thanks to the efforts of every staff.

Annual results and payment of dividends

During the year, the Group achieved a turnover of HK\$7,320.6 million, representing an increase of 12.6% over the same period of last year; Profit for the year attributable to owners of the parent was HK\$1,552.1 million, representing an increase of 14.9% over the same period of last year. Basic earnings per share was HK42.86 cents, representing an increase of 14.4% over the same period of last year. The Board recommended a final dividends of HK8.0 cents per share for 2011.

Property development and sales and land reserves

During the year, the Group recorded 428,000 square meters in property sales, representing a decrease of 9.2% over the same period of last year, and achieved a net revenue in property sales of HK\$5,053.1 million, representing an increase of 8.4% over the same period of last year. The Group achieved the contracted sales income of approximately RMB 4.6 billion, thereby completing 98% of this year's sales target. It achieved a new construction area of 1.82 million square meters, representing an increase of approximately 80% over the same period of last year, providing sufficient supply for 2012.

During the year, the Group had newly added land with gross floor area of 0.62 million square meters in Jiangsu Taizhou. As at 31 December 2011, the Group had attributable gross floor area in land reserve of 9.90 million square meters (excluding the interests attributable to the Group in its three principal associated companies), of which attributable gross floor area was 2.32 million square meters.

Structure optimization with promoting reform

During the year, the Group set up a commercial property platform-Shum Yip Land Company Limited (深業置地有限公司) and integrated its internal regional housing companies to further distinct the management structure and improve its competitiveness. Moreover, the Group implemented a market-oriented talent recruitment, evaluation and remuneration system, and recruited talents with high quality from the market which enhanced staff motivation and management standard.

Healthy financial position

As at 31 December 2011, cash on hand for the Group amounted to HK\$5,236.4 million (including pledged deposits and restricted cash) with net gearing ratio of 72.3%. During the year, the Group successfully signed a four-year term syndicated loan of US\$209 million and HK\$1,026 million and a 3-year term commercial bank loan of HK\$800 million at preferential rates in order to refinancing those syndicated loans and optimize its debt structure. As a result, the proportion of long term debts of the Group increased to 69.9% from approximately 23.7% at end of year and thereby its debt structure is being optimized.

Business outlook

Industry prospect

In 2012, with the tangled and complicated global economic environment, the domestic economy is in the process of transform from high growth to steady growth, facing the dual pressures of slowing growth and inflation with uncertain increment. The Central Economy Work Conference had clearly signified to implement the fundamental direction of a proactive fiscal policy and prudent monetary policy, and reiterating that the real estate control policies will remain intact. With the macro policies fine-tuning and the decrease in deposit reserve rate towards the end of last year, the liquidity crunch situation and enterprise operating environment will be mitigated in 2012. However, the overall direction of the central government's control towards real estate market remains unchanged, the austerity policies in suppressing the investment and spectacular housing demand will continue, but will be eased out amicably for the rigid demand of first-home buyers so as to facilitate the rational adjustment of the structure and price level in real estate market. Under the background of continuous control policies, slowdown in sales and escalating overall debts level in the industry, the real estate industry will experience a more severe situation in the first half of 2012, with real estate prices have further room for downward adjustments. As the policy trend, its controlling effect and real estate market development are interactive, the Group will closely monitor the economic situation and industry policy development to cope with the market changes on a timely basis.

With the increasing costs in raw materials, labour and capital funding, the profit margin for real estate enterprises is being pressing down; the high growth module attained by real estate enterprises through relying on the pre-sale mechanism and financing leverage is facing a great challenge. The requirements by property buyers on products, brand and services are increasing continuously, with market competition becoming more and more intense, rendering industry consolidation emerging one after another. It has become a trend that major enterprises will aim at scale expansion development and medium-sized enterprise will look for professional development. The Group, under the premise of ensuring steady operation, will fully leverage on its own resource advantages, optimize regional positioning and assets structure, and increase the professional standard to form the core competitiveness to further enhance its position in the industry.

Shenzhen

As affected from the stringent austerity measures, the housing market in Shenzhen was still in downturn in 2011, with annual trading volume remained at a sluggish level of 2.70 million square meters, and housing price declining substantially. As one of first-tier cities in the PRC, Shenzhen has clustered a large number of market-oriented enterprises with innovative ability, and has obvious competitiveness in terms of high and new technology, financial and high-end services industries. Shenzhen is one of cities having highest resident income in the PRC, with a resident population of 10.0 million. The increase in local resident income has driven the strong demand for consumption upgrading and rigid demand for housing. These provide a wider development room for the real estate market in Shenzhen, especially commercial property market that are fast growing. As such, the Group is of full confident about the long term development potential and real estate market in Shenzhen.

Operating strategy

The Group will primarily adopt a prudent development approach and focus its resources in the development of Shenzhen, so as to establish Shenzhen and Pearl River Delta as the core district with certain key cities as supplements to the regional layout. We persist the residential property development in the medium and high-end markets and stably expand the scale of commercial properties with reasonable resources rationalization. At the same time we enhance its sales level, optimize the assets structure to ensure fund security and steady growth.

Real estate operation

The core of this year's focus is to strive for the increase in sales and return of capital. The Group aims to achieve a saleable area of 1.53 million square meters with sales value reaching approximately RMB15.0 billion in 2012, representing an increase of approximately 60% over the same period of last year. The target contracted sales of the Group is RMB6.0 billion in 2012, representing an increase of 30% as compared with the actually completed contracted sales income over the same period of last year. The major projects include Terra Building (泰然大廈), Qingshuihe Auto Logistic Park (清水河汽車物流園), Noble Times (東城國際), Shum Yip Royal Garden (深業御園), Shum Yip City (深業城), Yundonghai (雲東海), Saina Bay (塞納灣), Euro-view Garden (歐景城), Wanlin Lake (萬林湖), Nanhu Rose Bay (玫瑰灣) and Rui Cheng (睿城), of which Terra Building and Qingshuihe Auto Logistic Park project in Shenzhen are non-residential projects and are received good response from the market. The Group will take sales through rate as a leading indicator to arrange its overall sales tasks, and adopt the flexible pricing strategy to strive for achieving the sales target.

In order to realize the sustainable development and steadily promote the development of projects, the Group plans to construct 26 new projects with gross floor area of 2.45 million square meters in 2012. The Group will timely and appropriately adjust its development pace based on project sales conditions and external financing environment in refining its project development progress. On one hand, it will ensure striking a balance of the cash position among the projects and on the other hand, ensures the sufficiency of saleable volume for this year and the year ahead.

Land reserves

The Group maintains its existing scale of land reserves with structure optimization based on prudent principles. The Group will focus its development in Shenzhen, strive to achieve a breakthrough in obtaining high quality assets injection by parent company and urban regeneration projects to complement its quality land resources. At the same time, the Group will, according to the market conditions, seek opportunities, and adjust the land reserve structure to improve its land bank quality.

Re-development

The Group has 5 re-development projects in Shenzhen, which are locating at Sungang, Qingshuihe, Shangbu, Chegongmiao and Guanlan respectively, with total planned gross floor area of approximately 1.60 million square meters. Such projects, with considerable profitability, are important resources of the Group in focusing on the development in Shenzhen. The Group will, by leveraging on its government background advantage and established coordination mechanism, speed up the progress in project planning application, demolition and land usage procedures registration, strive to facilitate the pre-sale launch for Qingshuihe Auto Park Phase I project, and obtain the confirmation on land usage planning indicators for the projects in Sungang.

Commercial property

As one of first-tier cities in the PRC, Shenzhen has a vast development prospect in commercial property sector. The Group has many re-development projects located at the prime locations in Shenzhen. These projects will be planned to develop integrated urban complex comprising office premises, commercial properties, hotels and residential buildings in the future. Moreover, Shum Yip Group has over 3.0 million square meters of land sites located at the core districts in Shenzhen. The Group will strategically enter into the commercial property industry, recruit high calibre talents, train up professional teams, strive for developing a model of commercial property concurrent with its own characteristics, explore various financing channels to commit ourselves to become a premier commercial property operator in Shenzhen.

Healthy financial position

The Group will adhere to the consistent principle of maintaining healthy financial position, actively explore various financing channels, endeavour to reduce financing costs to provide adequate protection of financial resources for its business development.

Corporate Prospect

In 2012, with difficulties and opportunities co-existing; the Group will ensure a stable operation, grasp market opportunities, leverage on its resources advantages, optimize its layout to sustain a steady growth. The Board is in full confidence that the Group will achieve a rapid growth in next three years.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In 2011, the Group endeavoured to overcome the impact of stringent monetary policies and real estate austerity control and focused its efforts in ensuring stable finance, accelerating property sales, improving management standard, thereby being able to maintain a steady development momentum.

Overall Results

During the year, the Group achieved a turnover of HK\$7,320.6 million, representing an increase of 12.6% over the same period of last year. Gross profit margin was 36.4%, representing an increase of 0.4 percentage points over the same period of last year. Among which, gross profit margin of property development was 40.5%, representing an increase of 2.2 percentage points over the same period of last year. Profit for the year attributable to owners of the parent was HK\$1,552.1 million, representing an increase of 14.9% over the same period of last year. Basic earnings per share was HK42.86 cents, representing an increase of 14.4% over the same period of last year.

Property development and sales

During the year, the Group recorded 428,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associated companies), representing a decrease of 9.2% over the same period of last year and achieved a net revenue in property sales of HK\$5,053.1 million (net of business tax), representing an increase of 8.4% over the same period of last year. During the year, among the settlement projects categorized by net sales amount, 20.2% was office buildings and shops. The products under this part were slightly affected by the real estate austerity control and with high profitability. Accordingly, gross profit margin of real estate development increased by 2.2 percentage points to 40.5% over the same period of last year.

Table of Property Sales Booked in 2011

	Property Name	Type	Sales area (sqm)	Unit price (RMB/sqm)	Net Sales (RMB million)
1	Wanlin Lake Phase II	Residential	3,064	14,355	42
2	Wanlin Lake Phase III	Residential	4,552	8,226	35
3	Wanlin Lake Phase V	Residential	33,770	5,596	178
4	Noah Mountain Forest Phase I	Residential	2,102	3,018	6
5	Noah Mountain Forest Phase II	Residential	2,903	5,685	16
6	Noah Mountain Forest Phase III	Residential	32,519	4,556	140
7	Garden Hill	Residential	35,422	4,842	162
8	Jinxiu Jiangcheng Phase 1.1 (Residential)	Residential	41,148	4,686	182
9	Jinxiu Jiangcheng Phase 1.1 (Shops)	Shops	808	8,772	7
10	Snow Pine Building	Office-buildings	35,293	21,886	744
11	Tianan Golf Longyuan	Residential	12,133	44,377	518
12	Nanhu Rose Bay Phase I	Residential	1,946	19,001	35
13	Nanhu Rose Bay Phase II	Residential	2,175	10,772	22
14	Nanhu Rose Bay Phase III	Residential	7,805	36,099	266
15	Purple Kylin Hill District I	Residential	9,985	25,796	243
16	Purple Kylin Hill District II Shops	Shops	308	28,928	8
17	Purple Kylin Hill District III	Residential	70,099	11,940	790
18	Royal Spring Garden –Shops	Shops	5,499	12,563	65
19	Royal Spring Garden – Houses	Residential	42,942	7,197	291
20	Royal Spring Garden – Parking lots	Parking lot	1,797	7,977	13
21	Shum Yip City Phase I District I	Residential	2,229	6,714	14
22	Shum Yip City Phase I Shops	Shops	2,139	16,515	34
23	Shum Yip City Phase I District II	Residential	50,166	6,325	299
24	Shum Yip City Parking lots	Parking lot	24,187	3,522	80
25	Others		3,264	1,757	6
Total			428,255	10,321	4,196

During the year, the Group achieved 501,731 square meters in contracted sales area and contracted sales income of approximately RMB4,586 million, representing an increase of 6.5% over the same period of last year.

2011 Annual Contracted Sales Table

	Project	Accumulated sales area (sqm)	Accumulated sales (RMB million)	Average price (RMB/sqm)
1	Wanlin Lake	65,125	386	5,934
2	Garden Hill Phase 1	13,930	140	10,023
3	Noah Mountain Forest	57,209	313	5,478
4	Jiangsu Splendid Phase I	71,532	340	4,758
5	Euro-view Garden	18,627	136	7,279
6	Snow Pine	2,503	60	23,967
7	Tianan Golf Longyuan	16,536	708	42,817
8	Wuhan Nanhu Rose Bay	21,758	229	10,532
9	Chengdu Yihu Rose Bay	5,486	66	12,042
10	Purple Kylin Hill	71,309	972	13,631
11	Royal Spring Garden	47,700	351	7,351
12	Shum Yip City	48,121	267	5,545
13	Noble Times	28,345	303	10,680
14	Yundonghai	27,441	269	9,820
15	Maanshan Hua Fu	6,109	46	7,473
	Total	501,731	4,586	9,140

Project development and land reserves

During the year, the Group had 18 newly constructed projects with new construction area of approximately 1.82 million square meters, a significant increase over the same period of last year. The Group had 12 completed projects with a completed area of approximately 1.05 million square meters.

During the year, the Group purchased a parcel of land in Taizhou. The site area of newly added projects was 260,000 square meters, with gross floor area of 620,000 square meters, land acquisition costs of approximately RMB1.1 billion and average floor area land premium of approximately RMB1,780 per square meter.

As of the end of December 2011, the Group had a total gross land reserve of 10.78 million square meters (in gross floor area) with attributable gross floor area of 9.90 million square meters (excluding the interests attributable to the Group in its three principal associated companies). Of which, the Group had 24 property projects under construction with a total gross floor area of approximately 2.72 million square meters and an attributable gross floor area of 2.32 million square meters. At present, the Group's land reserve in first-tier cities accounted for approximately 14.4%; land reserve in second-tier cities accounted for approximately 14.8%; land reserve in third-and fourth-tier cities accounted for 70.8%. Our diversified land reserves are sufficient to meet the development needs in the next five to six years.

Table of land reserves by city distribution

Province	City	Gross floor area (sqm)	Attributable floor area (sqm)	Percentage of Attributable floor area %
Guangdong	Shenzhen	1,136,225	1,076,576	10.88%
	Huizhou	999,770	999,770	10.10%
	Foshan	1,541,697	1,541,697	15.58%
	Dongguan	187,531	187,531	1.90%
	Heyuan	887,379	887,379	8.97%
	Guangzhou	349,236	349,236	3.53%
Hubei	Wuhan	187,006	98,178	0.99%
Hunan	Changsha	1,107,334	914,711	9.24%
Anhui	Maanshan	1,444,251	1,444,251	14.60%
	Chaohu	167,431	133,945	1.35%
Jiangsu	Jiangyan	1,455,133	1,349,861	13.64%
	Changzhou	171,377	171,377	1.73%
Sichuan	Chengdu	859,519	455,248	4.60%
Xinjiang	Kashi	285,668	285,668	2.89%
Total		10,779,557	9,895,428	100.00%

Furthermore, during the year, the Group acquired the 60% equity interests in a land arrangement project which has an area of approximately 807 acres in ChengHua District, Chengdu and started the land consolidation works of demolishing buildings, land levelling and electricity and water supply, etc. The Primary Land Development Arrangement Project will provide more opportunities for the Group to acquire land reserves at low costs in future.

Property investment

During the year, the Group's investment property continued to maintain a steady growth. The total area of our investment properties was over 600,000 square meters, with an achieved rental income of HK\$446.8 million, representing an increase of approximately 14.3% over the same period of last year. During the year, the Group recorded a revaluation gain of HK\$311.3 million in its investment property portfolio and had already been accounted for as profit for the year.

Commercial property

During the year, the Group established Shum Yip Land Company Limited (深業置地有限公司) as its commercial property operation platform to manage all the potential city complex projects of the Group in Shenzhen and elsewhere. At present, the Group is striving for developing a development model for the Group's commercial property and prepares commercial property plans, equips itself well in preparing the Group for the development of commercial property business.

Jointly-controlled entities

During the year, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a net profit contribution of HK\$185.3 million to the Group. The principal activity of this company is providing relevant service to local governments in primary land development arrangement. During the year, part of the land was successfully sold through government public land auction, of which one parcel of land was acquired by the Group.

Performance by associated companies

During the year, performance of the Group's investments in associated companies was satisfactory. Of which, Shenzhen Tianan Cyberpark Co., Ltd., made a net profit contribution of HK\$277.4 million to the Group, representing an increase of 18.7% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK\$223.1 million to the Group, representing an increase of 30.9% over the same period of last year. Coastal Greenland Limited, another listed company in Hong Kong, turned from loss into profit and made a profit of HK\$23.4 million to the Group, as compared to the loss of HK\$69.7 million in the same period of last year. The Group made a provision for impairment of approximately HK\$200 million in respect of the investment in Coastal Greenland in accordance with the accounting standards.

Financial position

During the year, the Group successfully entered into a 4-year term syndicated loan of US\$209,000,000 and HK\$1,026,000,000 and a 3-year term commercial bank loan of HK\$800,000,000 with eight commercial banks (including Bank of China) at preferential interest rates in Hong Kong in order to optimize its debt structure.

As at 31 December 2011, the Group's total bank loans amounted to HK\$16,479.3 million, of which HK\$15,802.1 million were floating-rate loans, and the rest were fixed rate loans. Long-term loans amounted to HK\$11,514.0 million, representing approximately 69.9% of the total bank loans, and short-term loans were HK\$4,965.3 million, representing approximately 30.1% of the total bank loans.

As of 31 December 2011, the Group's cash balance (including pledged deposits and restricted cash) was HK\$5,236.4 million, of which approximately 75.5% and 24.5% were denominated in Renminbi and other currencies (mainly in US\$ and HK\$) respectively. As the Group's main operating cash flow is in Renminbi, while the assets held and debts committed are mainly stated in Renminbi and US Dollar respectively, exchange rate movements will have positive financial impact to the Group in the short run.

As at 31 December 2011, the Group had net assets (after non-controlling interests) of HK\$15,543.4 million and the ratio of net debts to net assets (after non-controlling interests) was 72.3%.

Table of financial position

<i>HK\$ million</i>	31 December 2011	31 December 2010 (Restated)
Bank loans	16,479.3	12,447.2
Long-term loans	11,514.0	2,951.7
Short-term loans	4,965.3	9,495.5
Floating-rate loans	15,802.1	11,398.6
Cash (including pledged deposits and restricted cash)	5,236.4	6,179.8
Net loans	11,242.9	6,267.4
Net asset after non-controlling interests	15,543.4	13,474.9
Net gearing ratio	72.3%	46.5%
Ratio of long-term loans	69.9%	23.7%

Capital structure

As at 31 December 2011, Shum Yip Holdings Company Limited, the parent company of the Group is interested in approximately 43.91% of the Group, and is the largest shareholder of the Group.

During the year, a total of 3,400,000 share options granted were exercised. During the year, the Group issued a total of 86,056,214 shares to the shareholders who chose to receive scrip dividends as interim dividends, of which, a total of 68,372,565 shares were issued to Shum Yip Holdings Company Limited, the largest shareholder, which had elected to receive all its dividends in scrip dividends. During the year, the Group did not repurchase any share of the Group.

As at 31 December 2011, the issued share capital of the Group was 3,626,024,304 shares (31 December 2010: 3,536,568,090 shares).

Staff headcount and remuneration

As at 31 December 2011, the Group had a total staff number of 19,009, of which 30 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest were in China.

During the year, the Group implemented a market-oriented talent management solution to conduct competition for posts and two-way selection for all middle management positions and professional positions, and executed the new market-oriented remuneration mechanism according to professional qualifications, industry experience and relevant market trends to further improve the employment mechanism and incentive mechanism. In addition, the Group increased the efforts in professional recruitment from the market to optimize the team structure. The adoption of the market-oriented approach to recruit high-end talents will ensure the provision of human resources for future business development, especially for the resources of commercial real estate team.

Employee benefits include salaries, allowances, medical insurance and mandatory retirement contributions. We also issue bonuses and grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK8.00 cents per share in respect of the year ended 31 December 2011 (2010: final dividend of HK7.00 cents). Together with the interim dividend of HK7.00 cents per share which was paid on 10 November 2011, the total dividend per share for the year will be HK15.00 cents per share (2010: HK14.00 cents per share). Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or before 13 July 2012 to shareholders whose names appear on the register of members of the Company on 28 June 2012.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (“Annual General Meeting”) will be held at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 22 June 2012 at 10:30 a.m.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders’ entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 19 June 2012 to Friday, 22 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 Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 18 June 2012.

To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 28 June 2012 to Friday, 29 June 2012 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 27 June 2012.

RETIREMENT OF DIRECTORS

In accordance with Article 92 of the Company's Articles of Association, Mr. LU Hua and Mr. HUANG Yige will retire and, being eligible, offer themselves for re-election at the Annual General Meeting.

In accordance with Article 101 of the Company's Articles of Association, Mr. MOU Yong, Dr. WU Jiesi and Mr. LI Wai Keung will retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules ("Code") as its own code on corporate governance practices. During the year, the Company has complied with the code provisions set out in the Code for the time being in force and there have been no material deviations from the Code.

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the 2011 final results and the audited consolidated financial statements for the year ended 31 December 2011.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to all shareholders, the public and employees of the Group for their unfailing support, assistance, service and dedication.

By Order of the Board

GUO Limin

Chairman

Hong Kong, 27 March 2012

As at the date of this announcement, the Board comprises 9 directors, of which Mr. GUO Limin, Mr. LU Hua, Mr. MOU Yong and Mr. LIU Chong are the executive directors of the Company, Dr. WU Jiesi and Mr. HUANG Yige are the non-executive directors of the Company and Mr. WONG Po Yan, Mr. WU Wai Chung, Michael and Mr. LI Wai Keung are the independent non-executive directors of the Company.