瑞安房地產
SHUI ON LAND

Timely Decisions Focused Moves

INTERIM REPORT 2009 二零零九年中期業績報告

stock code 272 股份代號 272

Chairman's Statement

"With rapid urbanisation and increasing affluence, the strong demand for quality housing as well as commercial and office premises promises a bright future and prospect for your Company."

The first half of 2009 saw the steady revival of the Chinese economy following the dramatic meltdown of the global financial system in the fourth quarter of 2008. The Chinese Government launched a number of policies and measures at different levels to stimulate investment and domestic consumption. These stimulus packages received positive response from the market and in particular the real estate sector. In the second quarter of 2009, stock and residential property markets rebounded significantly with improved business and consumer confidence.

The unique business model of your Company in developing master-planned communities has demonstrated clearly its ability to uphold the value of your Company's premises even during the most severe market downturn. In the first half of the year, our sales programme met with encouraging results. However, the recognition of profits from the sales will be deferred to the second half of the year due to a new interpretation on the accounting treatments for "Agreements for the Construction of Real Estate" under the International Financial Reporting Standards. In the interim results ended 30 June 2009, we recorded a turnover of RMB1,335 million or HK$1,509 million, an increase of 18% over the same period in 2008, primarily due to the increase in property sales by 22% to RMB1,010 million or HK$1,141 million. Profit attributable to shareholders was RMB718 million or HK$811 million and underlying profit attributable to shareholders, excluding the revaluation of investment properties and fair-value adjustment on derivative financial instruments, was RMB95 million or HK$107 million, a decrease of 45% and 91% over 2008 respectively. Basic earnings per share were RMB0.16 or HK$0.18, a decrease of 43% when compared to the corresponding period in 2008.

Your Board remains positive on the full year result and prospects of the Company. Up to 31 July 2009, the Company recorded contracted sales in the sum of RMB3.1 billion, a 24% increase as compared to RMB2.5 billion in the corresponding period in 2008.

TIMELY DECISION TO RESTORE CONFIDENCE AND STABILISE SALES

The Chinese economy is showing signs of revitalisation ahead of other major economies. Its gross domestic product (GDP) in the first two quarters of 2009 recorded a 7.1% increase over the same period last year. Real estate has been an essential contributor to the Chinese economy in recent years. Housing transactions have gone up substantially and nation-wide total property sales in the Chinese Mainland during the first six months recorded a year-on-year growth rate of 31.7%.

The residential sales in our projects in different cities picked up significantly during the first six months ended 30 June 2009. The Phase 3 of our top-end luxury residential development in Shanghai Taipingqiao project, Casa Lakeville, sold 178 units in the first half of this year. Price level has increased by 20% in June as compared to May 2009.

Chongqing Tiandi has also been enjoying remarkable progress. The transacted area of the Riviera Phase 1 residential development during the first six months of 2009 amounted to 61,100 sq.m., a tremendous expansion from the whole year figure of 13,600 sq.m. in 2008. The increase exceeded six folds if compared to 9,700 sq.m. transacted area recorded in the first half of 2008. Price of Phase 1 was strategically adjusted down in the beginning of the year in response to the challenging market conditions in Chongqing. This price reduction was favourably received in the market. In the second quarter, prices were adjusted with the strong market demand. The average transaction price per sq.m. recorded a 5.6% increase in June 2009 as compared to the beginning of the year.

The Riverview, the residential development of the Wuhan Tiandi, continued to be warmly welcomed by the Wuhan market and its sales showed a remarkable recovery following the enhancement of the neighbourhood and surrounding infrastructure. Phase 2 of the project was launched for pre-sale and 234 units were sold during the first half of 2009. Transaction price per sq.m. in June increased by 3.7% compared to January 2009.

“The cities where Shui On Land has presence, the prospects are particularly attractive with China’s strong economy.”

> "Our strategy of working closely with the government and in line with the development plan of the cities will no doubt position our projects as the new landmarks and focal points of the cities concerned."

FOCUSED MOVES TO REGAIN CORPORATE GROWTH

Strategic partnership remains an important part of our long-term strategy to expedite our project development and to increase shareholder value. Following the signing of a Memorandum of Understanding in July 2009 with Redevco, which is the owner, manager and developer of one of the largest retail real estate portfolios in Europe, the collaboration with Redevco will take shape shortly, and work on the commercial podium of the Wuhan Tiandi Lots A1, A2 and A3 will commence. The strengths and competitive advantages of Redevco are expected to help accelerate and reinforce the development of the Wuhan Tiandi project.

New corporate initiatives have also been implemented to foster the Company's continued growth. A high-powered Finance Committee, established in April 2009, will be responsible for making recommendations to the Board on financial policies and planning. The Company's Chief Financial Officer Mr. Daniel Y. K. WAN has been appointed to the Board. Mr. Freddy C. K. LEE has been promoted to the position of Managing Director of Shui On Development (the subsidiary responsible for the operation and management of the Company) to take the lead in the implementation of the three-year corporate plan.

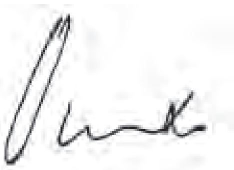
POSITIONED TO MOVE FORWARD IN A PROMISING MARKET

With rapid urbanisation and increasing affluence, the strong demand for quality housing as well as commercial and office premises promises a bright future and prospect for your Company.

The cities where Shui On Land has presence, the prospects are particularly attractive with China's strong economy. Shanghai will emerge with strengths to become an international finance and transportation centre. Chongqing is to become the economic hub of the South Western Region in the Mainland. Wuhan stands to serve the central region of the Country. Foshan's twining with Guangzhou to form the economic zone of the South Eastern Region of China will foster the city's development with Guangzhou's advantageous position as the capital city and service hub of Guangdong, the most prosperous province in China. Dalian is transforming into the leading port in the coastal economic belt in Liaoning, where your Company is building a software hub in close collaboration with the municipal government with a special focus on the Japanese and Korean markets. China remains the fastest-growing economy in the world. Our strategy of working closely with the government and in line with the development plan of the cities will no doubt position our projects as the new landmarks and focal points of the cities concerned.

APPRECIATION

The half year ahead looks encouraging with gradual stabilisation of the world economy. The Chinese economy will likely perform better than the first half, albeit China cannot be immune to the fragility of the world economy entirely since the economy is increasingly interlocked with the global system. The Shui On people will work together with resilience and determination, and we look forward to the future with confidence. Finally, I would like to express my gratitude to our shareholders, the Directors and all our colleagues for their confidence, trust and dedication to the Company and I look forward to your continued support as we sail through this challenging time and towards a promising future.



Vincent H. S. LO
Chairman & Chief Executive Officer
Hong Kong, 27 August 2009

Management Discussion and Analysis

"Riding on improved market sentiment, the sales volume for most of our projects rebounded significantly during the six months ended 30 June 2009."

Business Review

For the six months ended 30 June 2009, the Group's turnover reached RMB1,335 million, which is higher than that of the corresponding period in 2008 (six months ended 30 June 2008 restated: RMB1,132 million). Property sales accounted for approximately 76% (six months ended 30 June 2008 restated: 73%) of the turnover, with rental income and other related activities accounted for the remaining 24% (six months ended 30 June 2008 restated: 27%).

With the adoption of a new interpretation to the accounting standard "Agreements for the Construction of Real Estate", the timing of revenue recognition of property sales of the Group has been changed, whereby revenue from property sales is recognised only upon delivery of properties to the purchasers pursuant to the sales agreements rather than upon completion of properties. Accordingly, contracted sales of Casa Lakeville have not been recognised until its delivery in the second half of 2009.

With the deferral of profit contributions from Casa Lakeville due to the change in accounting policy mentioned above and no sales of equity interests to strategic partners during the six months ended 30 June 2009, profit attributable to shareholders of the Company decreased by 45% to RMB718 million (six months ended 30 June 2008 restated: RMB1,294 million).

Excluding the effect of revaluation of investment properties and fair value adjustment on derivative financial instruments, underlying profit attributable to shareholders of the Company was RMB95 million, a decrease of 91% when compared to the corresponding period in 2008 (six months ended 30 June 2008 restated: RMB1,093 million).

PROPERTY SALES

Contracted Sales

During the six months ended 30 June 2009, the Group achieved contracted sales of approximately 122,400 sq.m. (six months ended 30 June 2008: 63,500 sq.m.) GFA which gave rise to proceeds from property sales, after business tax, of RMB2,021 million (six months ended 30 June 2008: RMB2,252 million).

The property market across the Chinese Mainland improved notably in sales volume during the six months ended 30 June 2009. The Central Government's supportive measures and policies, which are favourable to both developers and home buyers restored market confidence and released the pent-up demand for residential properties that had been held in check by the onset of the global financial turmoil. Riding on improved market sentiment, the sales volume for most of our projects rebounded significantly during the six months ended 30 June 2009.

The property sales of Casa Lakeville (Shanghai Taipingqiao project, Lot 113), the third phase of our prestigious residential development, continued in 2009. On 22 May 2009, 52 units or 7,500 sq.m. of Tower 11 were launched to the market and were subscribed for sale in three days at an average price of RMB56,800 per sq.m.. In view of the overwhelming response, Tower 12 with 48 units or 8,100 sq.m. was put on the market on 27 June 2009 with a 20% increase in average selling price and the units were substantially subscribed for sale on the same day. Together with Towers 1, 2 and 10, which were subscribed at a higher selling price of RMB76,300 per sq.m., an aggregate of 178 units or 26,900 sq.m. were subscribed for sale in the six months ended 30 June 2009; 121 units or 17,400 sq.m. were entered into formal sales agreements in the same period and the remaining 9,500 sq.m. were contracted in the month of July 2009.

Sales of Rui Hong Xin Cheng Phase 3A (Lot 8) commenced on 25 July 2009 drawing considerable market interest. 210 of the 248 units being launched, representing 26,000 sq.m., were subscribed for sale during the weekend at an average price of RMB27,400 per sq.m.. Compared with Phase 2 which was sold at an average selling price of RMB16,600 per sq.m. in 2007, the average selling price of Rui Hong Xin Cheng project increased by 65% over the last two years.

Sales of KIC Village R1 and R2 at Shanghai Knowledge and Innovation Community ("Shanghai KIC") progressed well. 48 units or 6,700 sq.m. were contracted for sale at an average price of RMB20,600 per sq.m. for the six months ended 30 June 2009.

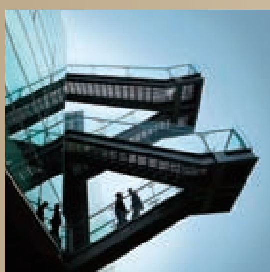
The Riverview (the residential development of Wuhan Tiandi project) continued to be well received by the Wuhan market. During the six months ended 30 June 2009, Lots A10 and A8 of Riverview Phase 2 were launched for pre-sale. Together with the inventories of Phase 1 (Lots A9 and A7) carried over from last year, an aggregate of 278 units or 36,800 sq.m. were contracted for sale in the six months ended 30 June 2009. Sales of Riverview remained strong in July 2009 with another 60 units or 8,600 sq.m. being contracted for sale.

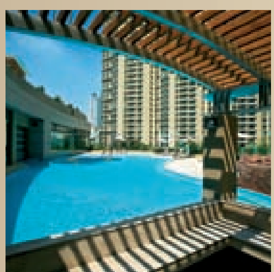
Following enhancement of the environment and completed construction of the major roads in our Chongqing Tiandi project, the property sales of Riviera (Chongqing Tiandi, Lot B1-1/01) picked up remarkably in the first half of 2009. A total of 506 units or 61,100 sq.m. were contracted for sale in the six months ended 30 June 2009.

Shanghai Taipingqiao Project

Shanghai

Shanghai's dual international centre status spurs demand on luxury residential property. Sales of Casa Lakeville attracted overwhelming response in the first half of 2009.





The table below summarises our property sales by projects for the six months ended 30 June 2009 and for the month of July 2009 together with the contracted sales revenue of the respective periods:

Projects	Available for sale and pre-sale in 2009	Sold with formal sales agreements signed: For the six months ended 30 June 2009	Sold with formal sales agreements signed: For the month of July 2009	Available for sale and pre-sale in August 2009 and beyond	Contracted sales proceeds, net of business tax: For the six months ended 30 June 2009	Contracted sales proceeds, net of business tax: For the month of July 2009
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(RMB'million)	(RMB'million)
Completed properties						
Shanghai Taipingqiao						
Lakeville Regency (Lot 114)	600	(400)	–	200	27	–
Casa Lakeville (Lot 113)						
– Towers 1, 2, 9 and 10	31,100	(9,500)	(4,600)	17,000	669	361
Shanghai KIC Village						
R1 (Lots 6-5 and 6-6)	4,600	(2,500)	(1,300)	800	47	24
R2 (Lots 7-9 and 8-2)	20,600	(4,200)	(100)	16,300	84	2
Wuhan Tiandi, The Riverview						
Phase 1 (Lots A9 and A7)	9,900	(6,400)	(800)	2,700	84	11
Chongqing Tiandi, The Riviera						
Phase 1 (Lot B1-1/01)	93,600	(61,100)	(3,100)	29,400	310	20
Car parking spaces and others	N/A	N/A	N/A	N/A	24	29
	160,400	**(84,100)**	**(9,900)**	**66,400**	**1,245**	**447**
Properties under development						
Shanghai Taipingqiao						
Casa Lakeville (Lot 113)						
– Towers 3 to 8, 11 and 12	22,700	(7,900)	(6,700)	8,100	423	442
Shanghai Rui Hong Xin Cheng						
Phase 3 (Lot 8)	32,300	–	(1,700)	30,600	–	46
Shanghai KIC Village						
R2 (Lot 7-7)	22,200	–	–	22,200	–	–
Wuhan Tiandi, The Riverview						
Phase 2 (Lot A10)	26,100	(19,400)	(3,300)	3,400	224	51
Phase 2 (Lot A8)	28,500	(11,000)	(4,500)	13,000	129	58
Chongqing Tiandi, The Riviera						
First stage of Phase 2 (Lot B2-1/01)	47,000	–	–	47,000	–	–
	178,800	**(38,300)**	**(16,200)**	**124,300**	**776**	**597**
Total	**339,200**	**(122,400)**	**(26,100)**	**190,700**	**2,021**	**1,044**

The sale and pre-sale of units are subject to compliance with applicable laws and regulations and obtaining requisite approvals, licenses, permits and consents. Recognition of these sales also depends on the timing of completion of construction, the issuance of occupation permit, the signing of formal sales agreements, and the delivery of properties to the purchasers pursuant to the sales agreements, etc.

Recognised Sales

Revenue from sales of properties has been restated as a result of the first time adoption of the International Financial Reporting Interpretation Committee Interpretation 15 "Agreements for the Construction of Real Estate" ("IFRIC 15") issued by the International Accounting Standards Board, which is effective for the Group's financial year beginning 1 January 2009.

In previous years, when properties were sold under pre-sale arrangements prior to the completion of the development, revenue and profit were recognised on the execution of binding sales agreements or when the relevant completion certificates were issued by the respective government authorities, whichever was later. With the issuance of IFRIC 15, which contains more detailed guidance on the accounting treatment for such real estate transactions, the Directors of the Company have reassessed the Group's accounting policy on revenue recognition for the sale of development property and are of the view that property sales should be recognised upon delivery of properties to the purchasers pursuant to sales agreements.

The table below reconciles the timing differences between our contracted sales and recognised sales of our projects for the six months ended 30 June 2009:

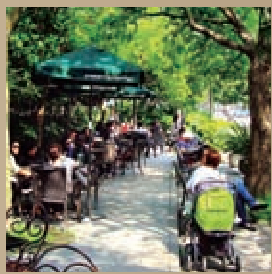
Projects	Average selling price[1] for sales during the six months ended 30 June 2009	Area sold with formal sale and purchase agreements signed	Contracted sales revenue for the six months ended 30 June 2009[1]	Add: Recognition of sales contracted in prior period delivered during the six months ended 30 June 2009[1]	Less: Deferral of sales recognition until delivery of properties[1]	Sales revenue recognised for the six months ended 30 June 2009[1]	Area recognised as sales revenue upon delivery	Group's interest
	(RMB/sq.m.)	(sq.m.)	(RMB'million)	(RMB'million)	(RMB'million)	(RMB'million)	(sq.m.)	
Completed properties								
Shanghai Taipingqiao								
Lakeville Regency (Lot 114)	71,100	400	27	–	(27)	–	–	99.0%
Casa Lakeville (Lot 113)								
– Towers 1, 2 and 10	74,100	9,500	669	–	(669)	–	–	99.0%
Shanghai KIC Village								
R1 (Lots 6-5 and 6-6)	19,800	2,500	47	3	(16)	34	1,800	86.8%[3]
R2 (Lots 7-7, 7-9 and 8-2)	21,100	4,200	84	180	(37)	227	12,200	86.8%[3]
Wuhan Tiandi, The Riverview								
Phase 1 (Lots A9 and A7)	13,800	6,400	84	400	(37)	447	32,800	75.0%
Chongqing Tiandi, The Riviera								
Phase 1 (Lot B1-1/01)	6,600[2]	61,100	310	10	(41)	279	55,300	79.4%
Car parking spaces and others	N/A	N/A	24	–	(1)	23	N/A	Various
		84,100	**1,245**	**593**	**(828)**	**1,010**	**102,100**	
Properties under development								
Shanghai Taipingqiao								
Casa Lakeville (Lot 113)								
– Towers 11 and 12[4]	56,400	7,900	423	–	(423)	–	–	99.0%
Wuhan Tiandi, The Riverview								
Phase 2 (Lot A10)	12,200	19,400	224	–	(224)	–	–	75.0%
Phase 2 (Lot A8)	12,300	11,000	129	–	(129)	–	–	75.0%
		38,300	**776**	**–**	**(776)**	**–**	**–**	
Total for the six months ended 30 June 2009		**122,400**	**2,021**	**593**	**(1,604)**	**1,010**	**102,100**	
Completed properties		36,400	1,879	633	(1,685)	827	31,500	Various
Properties under development		27,100	373	–	(373)	–	–	75.0%
Total for the six months ended 30 June 2008		**63,500**	**2,252**	**633**	**(2,058)**	**827**	**31,500**	

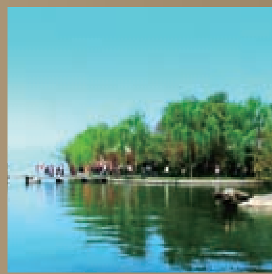
1 *The average selling prices are quoted before the business tax of 5% whereas the sales amounts are stated net of business tax.*
2 *The average selling price of Chongqing Tiandi is quoted based on net floor area, which is the common practice in Chongqing's property market.*
3 *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*
4 *Towers 11 and 12 of Casa Lakeville are scheduled to complete and be ready for delivery to customers in the second half of 2009.*

Based on our current development schedule and pursuant to the terms stipulated in the sales agreements with the customers, Casa Lakeville (the residential development of the Shanghai Taipingqiao project) is expected to be delivered in the second half of year 2009. Accordingly, the contracted sales of approximately RMB3,882 million for Casa Lakeville up to 31 July 2009 will, if the properties are to be delivered on time, be recognised in the consolidated financial statements of the Group for the year ending 31 December 2009.

Hangzhou

Xihu Tiandi Phase 1 located at Hangzhou – one of the world's hottest tourists' spots – continued to be fully let.





Xihu Tiandi (Phase 1)

The following table analyses the contracted sales of Casa Lakeville together with other projects with scheduled deliveries in 2009:

Completed projects	Contracted sales with deliveries in the first half of 2009[1]	Scheduled delivery of properties in the second half of 2009 with sales contracted in the following periods: Year ended 31 December 2008[1]	For the six months ended 30 June 2009[1]	For the month of July 2009[1]	Total contracted sales up to 31 July 2009 with scheduled deliveries in 2009[1]	Group's interest
	RMB'million (net of business tax)	RMB'million (net of business tax)	RMB'million (net of business tax)	RMB'million (net of business tax)	RMB'million (net of business tax)	
Shanghai Taipingqiao	–	1,960	1,119	803	3,882	99.0%
Shanghai KIC Village	261	–	53	26	340	86.8% [2]
Wuhan Tiandi, The Riverview	447	–	37	11	495	75.0%
Chongqing Tiandi, The Riviera	279	–	41	20	340	79.4%
Car parking spaces and others	23	–	1	29	53	Various
	1,010	**1,960**	**1,251**	**889**	**5,110**	

[1] *The sales amounts are stated net of business tax of 5%.*
[2] *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*

The above table is prepared based on our current delivery schedule and does not include any sales to be contracted subsequent to 31 July 2009. It is prepared for illustrative purpose and may not be the same as the sales revenue to be reported in the audited consolidated financial statements for the year ending 31 December 2009.

The change in accounting policy on revenue recognition for sales of properties has been adopted retrospectively and hence the comparative figures on the condensed consolidated income statement for the six months ended 30 June 2008 have been restated to adjust for the revenue together with the related cost of sales and taxation which arose from the sales of properties.

PROPERTY INVESTMENTS

Turnover from investment properties amounted to RMB305 million for the six months ended 30 June 2009, an increase of 6% over the corresponding period in 2008 (2008: RMB287 million). As of 30 June 2009, the Group's investment properties consist of leasable GFA of 291,000 sq.m. (31 December 2008: 262,000 sq.m.), of which approximately 45% was for office use and 52% for retail use.

The table below summarises the composition of the leasable GFA and occupancy rate as of 30 June 2009:

Projects	Leasable GFA (sq.m.) Office	Retail	Hotel/ serviced apartments/ clubhouse	Total	Occupancy rate 30 June 2009	31 December 2008	Group's interest
Shanghai Taipingqiao							
Shanghai Xintiandi	5,000	46,000	6,000	57,000	100%	99%	97.0%
Shanghai Corporate Avenue	76,000	7,000	–	83,000	98%	99%	99.0%
Shanghai Rui Hong Xin Cheng							
Phase 1 Commercial	–	5,000	–	5,000	98%	55%	75.0%
Phase 2 Commercial	–	28,000	–	28,000	100%	99%	74.3%
Shanghai KIC Village (R1: Lots 6-5, 6-6, 8-3, 8-5; and R2: Lots 7-9, 8-2)	21,000	11,000	–	32,000	22%	59%	86.8%*
Shanghai KIC Plaza Phase 1	29,000	23,000	–	52,000	77%	82%	86.8%*
Hangzhou Xihu Tiandi Phase 1	–	5,000	1,000	6,000	100%	100%	100.0%
Wuhan Tiandi, Commercial (Lots A4-1 and A4-2)	–	27,000	–	27,000	66%	89%	75.0%
Chongqing Tiandi, The Riviera Phase 1 (Lot B1-1/01)	–	1,000	–	1,000	0%	N/A	79.4%
Total leasable GFA							
As of 30 June 2009	**131,000**	**153,000**	**7,000**	**291,000**			
As of 31 December 2008	118,000	137,000	7,000	262,000			

* *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*

Shanghai Xintiandi and Shanghai Corporate Avenue continued to be our main rental income contributor in 2009, accounting for 81% (six months ended 30 June 2008: 82%) of our total rental income. These two developments were almost fully let with 10% and 9% increase in average rental rate respectively over the corresponding period in 2008.

The occupancy rate of Shanghai Rui Hong Xin Cheng Phase 1 Commercial increased to 98% with the completion of a major renovation in mid 2009. The Phase 2 Commercial continued to be fully leased out.

During the six months ended 30 June 2009, the retail and office portions of KIC Village R2 with an aggregate of 17,000 sq.m. were completed. With the increase in leasable area due to the completion of KIC Village R2, the occupancy rate of Shanghai KIC Plaza Phase 1 and KIC Village experienced a decrease to 77% and 22% respectively as of 30 June 2009. The occupancy rates of commercial properties for the KIC project are expected to increase when retail tenants move in after completion of Metro Line 10, which will pass through our KIC project and start operation at the end of 2009 or early in 2010.

Hangzhou Xihu Tiandi Phase 1 continued to be fully let.

Replicating the successful model of Shanghai Xintiandi, Wuhan Tiandi Commercial houses some of the renowned restaurants, shops and boutiques in Wuhan. The second phase of Wuhan Tiandi Commercial (Lot A4-2) with leasable area of 11,000 sq.m. was completed during the six months ended 30 June 2009. The third phase of Wuhan Tiandi Commercial (Lot A4-3) will be opened in the second half of 2009. Despite a decrease in the occupancy rate to 66% due to additional leasing area from the completion of Lot A4-2, the number of tenants has gradually increased. 51 tenants have already commenced their operations and 11 more shops will be opened by the end of 2009.

The retail shops adjacent to Phase 1 of The Riviera (Chongqing Tiandi, Lot B1-1/01) were completed during the six months ended 30 June 2009. About 7 tenants in household related businesses will be short-listed to serve the community. The first batch of tenants is expected to start their operations in the near future.

PROPERTY DEVELOPMENT

The following table summarises the total area that will be completed and ready for delivery/handover on or before year 2011 based on our latest assessment.

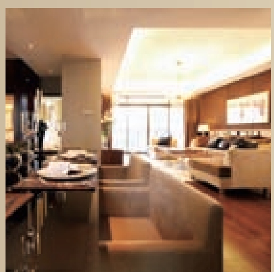
Projects	Residential	Office	Retail	Hotel/ serviced apartments	Carpark and other facilities	Total	Group's interest
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
Ready for delivery/handover in second half of 2009							
Shanghai Taipingqiao, Casa Lakeville (Lot 113) – Towers 1, 2, 9 – 12	71,000	–	–	–	–	71,000	99.0%
Wuhan Tiandi, Commercial Lot A4-3	–	1,000	19,000	–	23,000	43,000	75.0%
Chongqing Tiandi, Commerical Lot B3/01	–	–	31,000	–	33,000	64,000	79.4%
Total	**71,000**	**1,000**	**50,000**	–	**56,000**	**178,000**	
Ready for delivery/handover in year 2010							
Shanghai Taipingqiao Casa Lakeville (Lot 113) – Towers 3, 5, 6, 7, 8 and Commercial	7,000	–	29,000	–	41,000	77,000	99.0%
Shanghai Rui Hong Xin Cheng Phase 3A (Lot 8)	32,000	–	2,000	–	10,000	44,000	74.3%
Shanghai KIC Village R2 (Lot 7-7)	22,000	8,000	1,000	–	22,000	53,000	86.8%*
Shanghai KIC Plaza Phase 2	–	44,000	7,000	–	30,000	81,000	86.8%*
Wuhan Tiandi, The Riverview Phase 2 (Lots A6, A8 and A10)	85,000	–	2,000	–	49,000	136,000	75.0%
Chongqing Tiandi, The Riviera First stage of Phase 2 (Lot B2-1/01)	47,000	–	3,000	–	12,000	62,000	79.4%
Foshan Lingnan Tiandi Lot D	–	–	25,000	–	–	25,000	100.0%
Dalian Tiandi							
Software Office Buildings (Lots D22, B2, B6 and B7)	–	142,000	–	–	4,000	146,000	48.0%
IT Tiandi (Lot D10)	–	–	26,000	–	20,000	46,000	48.0%
Engineers' Apartment Block (Lot C10)	40,000	–	–	–	3,000	43,000	48.0%
Total	**233,000**	**194,000**	**95,000**	–	**191,000**	**713,000**	
Ready for delivery/handover in year 2011							
Shanghai Rui Hong Xin Cheng Phase 3 (Lot 4)	63,000	–	12,000	–	31,000	106,000	74.3%
Shanghai KIC Plaza C2 (Lots 5-5, 5-7 and 5-8)	–	42,000	12,000	–	28,000	82,000	86.8%*
Chongqing Tiandi, The Riviera Second stage of Phase 2 (Lot B2-1/01)	90,000	–	–	–	–	90,000	79.4%
Foshan Lingnan Tiandi							
Lot 1 Phase 1	–	–	17,000	7,000	–	24,000	100.0%
Lots D and G	–	–	–	27,000	25,000	52,000	100.0%
Lots 4 and 14	54,000	–	–	–	28,000	82,000	100.0%
Total	**207,000**	**42,000**	**41,000**	**34,000**	**112,000**	**436,000**	

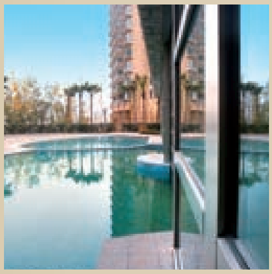
* *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*

Chongqing Tiandi

Chongqing

Following the enhancement of the environment and completion of infrastructure in the Chongqing Tiandi project, property sales of the Riviera picked up remarkably.





Shanghai Taipingqiao:
The sold units of Towers 1, 2, 9 and 10 of the third phase of Lakeville, Casa Lakeville (Shanghai Taipingqiao project, Lot 113) are scheduled for delivery in the third quarter of 2009. Towers 11 and 12, which are located in the centre of the Case Lakeville, will be completed and ready for delivery in the second half of 2009. The superstructure of the commercial complex, with five blocks of low-rise residential buildings placed on top, has been completed.

Relocation at Lot 115 for the international school has commenced. Preparation work for the submission of an application for the commencement of relocation for the next phase of Lakeville residences at Lot 116 is currently underway.

Relocation at Lots 126 and 127 is progressing well with approximately 92% and 79% of the households respectively being relocated as of 30 June 2009. The two lots are expected to commence construction of office and retail spaces with an aggregate leasable area of 158,000 sq.m. soon.

Shanghai Rui Hong Xin Cheng:
The superstructure work of Phase 3A (Lot 8) has been completed. This project will provide 248 units or 32,300 sq.m. saleable GFA, and is scheduled for delivery to the customers in the second half of 2010. Relocation of Phase 3B (Lot 4) is almost completed while 57% of the households in Phase 3C (Lot 6) were relocated as of 30 June 2009. Construction work of Phase 3B (Lot 4) will soon be commenced and is expected to be completed by 2011.

Shanghai Knowledge and Innovation Community:
Construction at Lot 7-7 of KIC Village R2 with a planned saleable and leasable GFA of 22,000 sq.m. and 9,000 sq.m. respectively and at KIC Plaza Phase 2 with a planned leasable GFA of 51,000 sq.m. are both progressing as planned and are expected to complete by 2010.

Hangzhou Xihu Tiandi:
Relocation is in progress at Phase 2 of Xihu Tiandi with 84% of the households being relocated as of 30 June 2009. The rest of the relocation is targeted for completion by the end of 2009. Construction will then commence with a targeted completion date of 2012.

Wuhan Tiandi:
The superstructure of The Riverview Phase 2, comprising Lots A10, A6 and A8, is close to topping out. Lot A10 is scheduled to be delivered to the customers in April 2010 whereas Lots A6 and A8 are expected to be ready for delivery by the end of 2010. The construction of Lot A4-3 will be completed in October 2009 and commercial activities are currently underway.

Relocation for Wuhan Tiandi Site B is in progress and about 20% of the land has been handed over to the Group.

Chongqing Tiandi:
The first stage at Lot B2-1/01, which is the second phase of The Riviera at Chongqing Tiandi with 466 residential units or 47,000 sq.m., is under construction. The superstructure is expected to be completed in the second half of 2009 and will be available for pre-sale at that time. The site formation works of the second and third stages are underway.

Construction of the retail properties and hotel at Lot B3/01 of Chongqing Tiandi, with leasable GFA of 31,000 sq.m. and 20,000 sq.m. respectively, is progressing according to plan. The construction of retail properties will be completed in the fourth quarter of 2009 and pre-lease has already started. The hotel is expected to be opened in 2012.

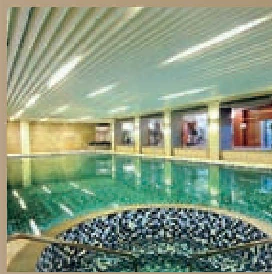
Foshan Lingnan Tiandi:
Construction work on Lot D with a planned GFA of 52,000 sq.m. of serviced apartments and retail properties has commenced. Construction is expected to be completed in phases by 2010 and 2011. Lot G, which is primarily open space and landscape area adjacent to Lot D, will be completed with a similar timetable.

Lot 1 with a planned GFA of 68,000 sq.m. is a mixed development comprising retail, food and beverages, commercial and a boutique hotel. Construction of the first phase with a planned GFA of 24,000 sq.m. has commenced and is expected to be completed in phases by 2011. The remaining portion of Lot 1 is under planning and detail design, and is expected to be completed in phases by 2012.

Construction of Lot 4 and Lot 14 with a planned saleable GFA of 54,000 sq.m. residential properties has also commenced and is expected to be completed by 2011.

Wuhan

The Riverview, the residential project at Wuhan Tiandi where the city stands to serve the central region of China, continued to be well received by the local market.



Wuhan Tiandi

Dalian Tiandi:
The construction of Software Office Building (Lot D22) in Huangnichuan North with a planned GFA of 42,000 sq.m. commenced in early March 2009 and is expected to be ready for handover to tenants by year 2010. Commercial activities are currently underway. The construction of another Software Office Building (Lot B2, B6 and B7) with a planned GFA of 100,000 sq.m., which has already pre-leased to a tenant, will commence in the third quarter of 2009 and is expected to be completed by 2010.

The construction of an Engineers' Apartment Block with a planned GFA of 40,000 sq.m. has commenced and is expected to be completed by 2010. The construction of commercial properties, namely IT Tiandi, with a planned GFA of 65,000 sq.m. will also commence in the third quarter of 2009 and is expected to be partially completed by 2010.

On the basis that development progress is in accordance with the above timetable and assuming all properties other than residential developments are held for investment purposes, the leasable GFA of the Group's investment properties is expected to grow to 342,000 sq.m. by the end of 2009, 631,000 sq.m. by the end of 2010, and 748,000 sq.m. by the end of 2011. In that event, the size of our investment property portfolio will be 1.2 times, 2.2 times, and 2.6 times that of the size as of 30 June 2009 by the end of 2009, 2010 and 2011 respectively.

It should be noted that actual completion of construction in the future depends on our construction progress, which may be affected by many factors like planning, relocation, construction, operational issues, availability of managerial and financial resources, approval and regulatory changes, etc.

LANDBANK

As of 30 June 2009, the Group had a landbank of 13.2 million sq.m. (of which 9.7 million sq.m. are attributable to shareholders of the Company) in eight development projects with prime locations spanning six cities - Shanghai, Hangzhou, Chongqing, Wuhan, Foshan and Dalian.

Other than the acquisitions listed below, no major acquisition is expected in the current year unless the plot of land is located near to our existing projects. We prefer large pieces of land that will allow us to masterplan, improve the amenities and value add to the community living there.

Dalian Tiandi
As of 30 June 2009, 16 plots of land of leasable and saleable GFA approximately 2.83 million sq.m. have been acquired via bidding with legally binding contracts signed. It is the intention of the joint venture to bid for the remaining 7 plots of land with a total leasable and saleable GFA over 0.71 million sq.m.. Acquisition of these lands will be by way of competitive bidding and there is no assurance that the joint venture will be successful in acquiring them. The Group has a 48% interest in this joint venture development project.

Plot A of Lot 24, Yangpu District
Agreement has been reached to acquire the company that currently owns the development rights of a piece of land known as Plot A of Lot 24 in Yangpu District, Shanghai with a planned GFA of 137,400 sq.m., which is adjacent to the Group's existing Shanghai KIC project.

Yunnan
The proposed development of integrated tourism resorts pursuant to the memoranda of understanding signed in 2006 and 2008 with the municipal government of Yunnan Province is still under negotiation. The master plans are currently being revisited and will be further proposed to the municipal government.

It is the expectation of the Group to co-invest with strategic partners, especially those with tourism and hospitality expertise, to develop these projects.

The Group's total landbank as of 30 June 2009, together with that of its associates, is summarised below:

Projects	Approximate/Estimated leasable and saleable GFA							
	Residential	Office	Retail	Hotel/ serviced apartments/ clubhouse	Carpark and other facilities	Total GFA	Group's interest	Attributable GFA
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)		(sq.m.)
Completed properties:								
Shanghai Taipingqiao	56,000	81,000	53,000	16,000	52,000	258,000	Various	251,000
Shanghai Rui Hong Xin Cheng	–	–	33,000	8,000	15,000	56,000	74.3% [2]	42,000
Shanghai Knowledge and Innovation Community	21,000	50,000	34,000	–	42,000	147,000	86.8% [3]	128,000
Hangzhou Xihu Tiandi	–	–	5,000	1,000	–	6,000	100.0%	6,000
Wuhan Tiandi	6,000	–	27,000	4,000	15,000	52,000	75.0%	39,000
Chongqing Tiandi	40,000	–	1,000	4,000	21,000	66,000	79.4%	52,000
Subtotal	**123,000**	**131,000**	**153,000**	**33,000**	**145,000**	**585,000**		**518,000**
Properties under development:								
Shanghai Taipingqiao	23,000	107,000	80,000	3,000	115,000	328,000	99.0%	325,000
Shanghai Rui Hong Xin Cheng	221,000	–	14,000	6,000	40,000	281,000	74.3% [2]	209,000
Shanghai Knowledge and Innovation Community	22,000	94,000	20,000	3,000	77,000	216,000	86.8% [3]	187,000
Hangzhou Xihu Tiandi	–	–	42,000	–	27,000	69,000	100.0%	69,000
Wuhan Tiandi	135,000	1,000	21,000	13,000	94,000	264,000	75.0%	198,000
Chongqing Tiandi	204,000	315,000	142,000	129,000	255,000	1,045,000	79.4% [4]	694,000
Foshan Lingnan Tiandi	54,000	–	86,000	34,000	58,000	232,000	100.0%	232,000
Dalian Tiandi	40,000	142,000	26,000	–	27,000	235,000	48.0% [5]	113,000
Subtotal	**699,000**	**659,000**	**431,000**	**188,000**	**693,000**	**2,670,000**		**2,027,000**
Properties held for future development:								
Shanghai Taipingqiao	256,000	174,000	97,000	38,000	97,000	662,000	99.0% [1]	612,000
Shanghai Rui Hong Xin Cheng	640,000	85,000	83,000	–	12,000	820,000	74.3% [2]	608,000
Shanghai Knowledge and Innovation Community	94,000	18,000	3,000	43,000	5,000	163,000	86.8% [3]	141,000
Wuhan Tiandi	549,000	322,000	206,000	62,000	36,000	1,175,000	75.0%	881,000
Chongqing Tiandi	1,165,000	414,000	266,000	78,000	461,000	2,384,000	79.4% [4]	1,893,000
Foshan Lingnan Tiandi	636,000	450,000	196,000	80,000	42,000	1,404,000	100.0%	1,404,000
Dalian Tiandi	1,070,000	1,585,000	636,000	42,000	–	3,333,000	48.0% [5]	1,600,000
Subtotal	**4,410,000**	**3,048,000**	**1,487,000**	**343,000**	**653,000**	**9,941,000**		**7,139,000**
Total landbank GFA	**5,232,000**	**3,838,000**	**2,071,000**	**564,000**	**1,491,000**	**13,196,000**		**9,684,000**

1 *The Group has 99% interests in all remaining lots, except for Lot 116, in which we have a 50% effective interest after sale of a 49% interest to a strategic partner in 2007.*

2 *The Group has a 75% interest in the Phase I of Shanghai Rui Hong Xin Cheng project and 74.3% interests in all remaining phases.*

3 *Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.*

4 *The Group has 79.4% interests in all remaining properties held for future development, except for Lot B11-1/02 which will be developed into super high rise, in which the Group has a 59.5% effective interest after a partial disposal of equity interest to a strategic partner in August 2008.*

5 *Dalian Tiandi comprises 23 plots of land. It is the intention of the joint venture to acquire all 23 plots of land. As of 30 June 2009, 16 plots of land of approximately 2.83 million sq.m. of leasable and saleable GFA have been acquired with legally binding contracts signed. The remaining 7 plots of land over 0.71 million sq.m. of leasable and saleable GFA will be acquired by way of public bidding in due course.*

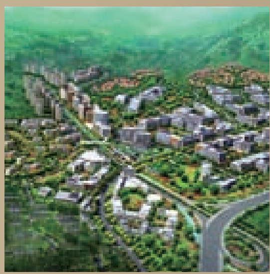
ACCELERATE GROWTH THROUGH STRATEGIC PARTNERSHIPS

Strategic partnership remains an important part of the Group's long-term strategy to expedite on the project development and to increase shareholder value. Following the signing of a Memorandum of Understanding in July with Redevco which owns, manages and develops one of the largest retail real estate portfolios in Europe, the Group will collaborate with Redevco and shortly commence work on the commercial podium of the Wuhan Tiandi Lots A1, A2 and A3. The strengths and competitive advantages of Redevco are expected to help accelerate and reinforce the development of the Wuhan Tiandi project.

The Group will continue to look for appropriate strategic partners to co-develop projects, either at a project level and/or for a particular parcel. This strategy allows the Group to accelerate returns from its projects, release the capital that can be invested in other projects, diversify its risks and enhance the Group's cash flows. It also allows the Group to access certain expertise and know-how which the partners possess that may be beneficial to the future development of the Group's projects.

Dalian

Dalian Tiandi plays a vital role in Dalian's transformation into a leading port in the costal economic belt in Liaoning Province.

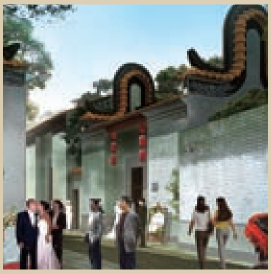


Dalian Tiandi

Foshan Lingnan Tiandi

Foshan

The Foshan Lingnan Tiandi project will add on to the strengths of Foshan and foster its development to partnering with Guangzhou into a stronger economic zone.



Market Outlook

Despite severe global head winds, China's robust economic performance in the first half of the year surprised private and public sector analysts and has led to widespread upward revisions of growth forecasts for 2009. With a swift and forceful deployment of fiscal and monetary stimulus policies, the Chinese authorities have managed to boost domestic investment and buttress consumer sentiment in a deflationary environment. In the second quarter, the equity and residential property markets rebounded on the back of improved business and consumer confidence. Although the tempo of the resilient domestic economy has picked up, considerable challenges remain. China's exports and overseas investment inflows are still declining, and millions of migrant workers and graduating students will be entering the workforce this year. Against this backdrop, the government is likely to fine tune rather than reverse its stimulatory policy settings in the second half of the year.

The housing market, an important source of demand for the construction, steel, furniture and home appliance industries, is the centerpiece of the government's strategy to stimulate domestic demand. It is also the key to unleashing household expenditure and large accumulated savings. To encourage private investment flowing into the housing sector, the State Council has reduced capital requirements from 35% of the total investment amount to 20% for ordinary and rental housing projects, and to 30% for other types of property development. The government has also lowered the effective mortgage rate for first-time homebuyers to 30% below the benchmark interest rate. In response, housing transaction volumes have risen sharply since Chinese New Year. The recovery appears sustainable as the fundamental housing demand drivers – robust urban household formation, income growth and an entrenched Chinese cultural preference for home ownership – have remained intact despite the impact of the global financial crisis.

The property market is on track to achieve an impressive recovery in 2009, and the outlook is especially promising for the cities where our projects are based. Shanghai is fleshing out its plan to build an international financial centre, laying out proposals for allowing foreign companies to list on the stock exchange and to issue yuan-denominated bonds, and has already begun piloting the use of the yuan for cross-border trade settlement. The affirmation of Shanghai's dual international centre status (financial and shipping) has spurred buyer interest in luxury residential property like Casa Lakeville. It also bodes well for the global crisis-affected grade A office market over the longer term. Wuhan is seeking to attract out-of-town buyers by offering household registration (hukou) eligibility – easing access to local education and health services – contingent on purchase of a city-core property costing at least RMB500,000.

Looking ahead, our projects in Foshan and Dalian will commence sales and leasing next year. The opening of Foshan's first subway line in 2010, with a station next to Foshan Lingnan Tiandi, will provide a convenient linkage to Guangzhou, thereby greatly expanding the project's catchment area. Foshan will co-host the Guangzhou Asian Games in 2010, providing a boost to tourism and raising the city's domestic and international profiles. Meanwhile, Dalian will benefit from a newly approved plan to build a 700 square kilometre coastal economic belt in Liaoning for which Dalian will be the leading port and gateway. Dalian will also benefit from the Beijing-Harbin high-speed rail line that is about to start construction. During the first five months of 2009, Dalian's software outsourcing sector enjoyed a nearly 26% year-on-year revenue growth, as many companies throughout the world continue to pursue cost-cutting programmes through outsourcing.

The recovery of China's residential market has been broad based, as is evidenced by rising transaction volumes across both the mass market and luxury segments. We believe our unique business model and proven expertise in master planning will enable us to deliver superb value and quality to our customers. Our portfolio of retail properties, including Xintiandi-style developments, will benefit from China's economic policies to spur consumption and boost household income.

Financial Review

Turnover increased by 18% to RMB1,335 million (six months ended 30 June 2008 restated: RMB1,132 million), primarily due to the increase in property sales recognised in the six months ended 30 June 2009.

Property sales increased by 22% to RMB1,010 million (six months ended 30 June 2008 restated: RMB827 million). During the six months ended 30 June 2009, the Group has contracted sales of 122,400 sq.m. with 102,100 sq.m. recognised (six months ended 30 June 2008 restated: contracted sales of 63,500 sq.m. with 31,500 sq.m. recognised.). Details of the property sales during the six months ended 30 June 2009 are contained in the paragraph headed "Property Sales" in the Business Review Section referred to above.

Turnover from investment properties increased by 6% to RMB305 million (six months ended 30 June 2008: RMB287 million), benefitting from increases in the average rental rates in Shanghai Xintiandi and Shanghai Corporate Avenue as well as increased leasable areas in Shanghai Knowledge and Innovation Community and Wuhan Tiandi.

Without the profit contribution from Casa Lakeville, **gross profit** for the six months ended 30 June 2009 decreased to RMB390 million (six months ended 30 June 2008: RMB628 million) with a gross profit margin of 29% (six months ended 30 June 2008: 55%).

Included in **other income** for the six months ended 30 June 2008 were tax refunds from reinvestment of dividends and grants received from certain local government authorities totalling RMB109 million. These were not recurring income and resulted in a decrease in other income by 56% to RMB107 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB245 million).

Selling and marketing expenses decreased by 33% to RMB39 million (six months ended 30 June 2008: RMB58 million) due to the first launch of presale of Casa Lakeville in the first half of 2008 which incurred more expenses than 2009.

In 2009, **general and administrative expenses** decreased by 26% to RMB261 million (six months ended 30 June 2008 restated: RMB353 million) due to a lower level of professional and consulting fees and the effectiveness of the cost control measures adopted by the Group in 2009.

Operating profit decreased by 57% to RMB197 million (six months ended 30 June 2008: RMB462 million) due to the various items referred to above.

Increase in fair value of investment properties was RMB199 million (six months ended 30 June 2008: RMB296 million). The amount for the six months ended 30 June 2009 included the fair value of investment properties under construction or development of RMB176 million due to the application of the amendment to IAS 40 Investment Property arising from improvements to IFRS.

Share of results of associates was RMB398 million (six months ended 30 June 2008: RMB35 million). The increase is attributable to an increase in fair value of the investment properties under construction or development (net of related tax) of certain associates which amounted to RMB408 million.

Finance costs, net of exchange gain amounted to RMB60 million (six months ended 30 June 2008: net gain of RMB178 million), which comprised mainly interest expenses of RMB330 million (six months ended 30 June 2008: RMB327 million) less amount capitalised to properties under development of RMB311 million (six months ended 30 June 2008: RMB304 million). The decrease in interest expenses was mainly the result of the repayment of notes in the second half of 2008, partly offset by the increased level of bank borrowings in 2009. In addition, finance costs include an exchange gain of RMB12 million (six months ended 30 June 2008: RMB129 million) arising from the appreciation of the RMB against the HK dollar and US dollar in relation to the Group's bank borrowings.

Profit before taxation decreased by 60% to RMB734 million (six months ended 30 June 2008 restated: RMB1,833 million) as a result of the various items described above, together with no gain on partial disposal of equity interests in subsidiaries had been recognised in the six months ended 30 June 2009 (six months ended 30 June 2008: RMB862 million).

Taxation was RMB78 million for the six months ended 30 June 2009, a decrease of 82% as compared to RMB438 million which was restated for the corresponding period in 2008. The significant decrease in taxation was mainly due to the PRC Land Appreciation Tax of RMB346 million that has been made and charged against income for the six months ended 30 June 2008 as a result of adjustments to the allocation of certain public facilities costs as development costs among the various property development companies incorporated in the PRC that undertake the development of the various phases of our Shanghai Taipingqiao project. The revised cost allocation has been accepted by the relevant tax bureau in the recent tax filing.

Profit attributable to shareholders of the Company for the six months ended 30 June 2009 was RMB718 million, a decrease of 45% when compared to 2008 (six months ended 30 June 2008 restated: RMB1,294 million).

The effects on profit attributable to shareholders of the change in fair value of the Group's investment properties, net of related tax effect, and fair value change of derivative financial instruments are as follows:

	Six months ended 30 June		
	2009 RMB'million	2008 RMB'million	% change
Profit attributable to shareholders of the Company	**718**	1,294	-45%
Revaluation increase on investment properties of the Group (net of deferred tax effect and share of non-controlling interest)	**(215)**	(208)	
Share of revaluation increase on investment properties of the associates (net of tax effect)	**(408)**	–	
Loss on change in fair value of derivative financial instruments	**–**	7	
Profit attributable to shareholders of the Company before (i) revaluation of investment properties; and (ii) fair value adjustment on derivative financial instruments	**95**	1,093	-91%

Earnings per share were RMB0.16 calculated based on a weighted average of approximately 4,620 million shares in issue during the six months ended 30 June 2009 (six months ended 30 June 2008 restated: RMB0.28 calculated based on a weighted average of approximately 4,604 million shares in issue).

CAPITAL STRUCTURE, GEARING RATIO AND FUNDING

On 10 June 2009, the Company entered into a Subscription Agreement to sell 418,500,000 Placing Shares at the price of HK$4.87 per share. The gross proceeds of the Subscription were approximately HK$2,038 million. This was the second largest top-up offering among Chinese real estate companies since May 2007. The transaction received strong demand from investors across the globe with the book covered within the first 20 minutes of book building. The final demand book was several times covered and closed within three hours of launch with a mix of both long-only institutions and hedge funds.

As of 30 June 2009, the Group's utilised bank borrowings amounted to approximately RMB9,266 million (31 December 2008: RMB8,198 million). The structure of the Group's bank borrowings as of 30 June 2009 is summarised below:

Currency denomination	Total (in RMB equivalent)	Due within one year	Due more than one year but not exceeding two years	Due more than two years but not exceeding five years	Due more than five years
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
RMB	3,589	530	621	1,615	823
HK$	5,472	523	914	4,035	–
US$	205	–	–	205	–
Total	**9,266**	**1,053**	**1,535**	**5,855**	**823**

Total cash and bank deposits amounted to RMB5,525 million as of 30 June 2009 (31 December 2008: RMB3,380 million), which included RMB2,622 million (31 December 2008: RMB1,709 million) of deposits pledged to banks. The increase in our cash balance was mainly due to the gross proceeds of the Subscription, which were approximately HK$2,038 million (equivalent to RMB1,797 million) and were received in June 2009.

As of 30 June 2009, the Group's net debt balance was RMB3,741 million (31 December 2008: RMB4,818 million) and its total equity was RMB20,429 million (31 December 2008 restated: RMB18,175 million). Accordingly, the Group's net gearing ratio was approximately 18% as of 30 June 2009 (31 December 2008 restated: 27%), calculated on the basis of dividing the excess of the sum of bank loans over the sum of bank balances and cash by total equity.

The Group's rental income during the six months ended 30 June 2009 expressed as a percentage of the Group's total interest costs before capitalisation to property under development was approximately 79% (six months ended 30 June 2008: approximately 72%).

Total assets of the Group amounted to RMB40.1 billion (31 December 2008 restated: RMB35.9 billion). The Group's debts to total assets ratio as of 30 June 2009 was 23% (31 December 2008 restated: 23%).

During the six months ended 30 June 2009, Shui On Group and Agricultural Bank of China ("ABC") signed a memorandum of understanding for a three-year loan facility up to RMB13 billion. According to this agreement, ABC will provide part of the facilities to Shui On Land and its subsidiaries up to RMB8 billion for property development, subject to formal approval by ABC. As of 30 June 2009, total undrawn committed facilities available to the Group were approximately RMB1,039 million, of which RMB200 million were granted by ABC.

PLEDGED ASSETS

As of 30 June 2009, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable and bank and cash balances totalling RMB16,395 million (31 December 2008 restated: RMB14,071 million) to secure our borrowings of RMB9,266 million (31 December 2008: RMB7,493 million).

CAPITAL AND OTHER DEVELOPMENT RELATED COMMITMENTS

As of 30 June 2009, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB7,104 million (31 December 2008: RMB5,418 million). The amount of commitment as of 30 June 2009 included the estimated costs of relocation for the development of certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in that area.

In addition, the Group entered into a Confirmation Agreement with the Land Exchange Centre confirming the Group's successful bid for a plot of land in Foshan. Under this Confirmation Agreement, the total consideration for acquiring the land use rights is RMB7,510 million, against which RMB2,864 million had been paid to the Land Exchange Centre up to 30 June 2009. The remaining balance of RMB4,646 million will be paid in stages in line with relocation progress (31 December 2008: RMB4,646 million).

The Group has agreed to provide further funding to the associates for the development of Dalian Tiandi project, whereby the Group will ultimately hold a 48% effective interest. As of 30 June 2009, the Group has issued guarantees amounting to RMB528 million (31 December 2008: RMB528 million) to banks in respect of banking facilities granted to the associates, in which the associates have drawn down bank loans amounting to RMB480 million (31 December 2008: RMB480 million). In addition, the Group had a commitment to provide further funding to the associates amounting to approximately RMB121 million (31 December 2008: RMB121 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND SOURCES OF FUNDING

We will continue to focus on the development of our existing landbank of prime locations. While our primary focus is on city-core development projects and integrated residential development projects, we will, in appropriate cases, consider other opportunities to participate in projects of various scales where we can leverage our competitive strengths. 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.

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

CASHFLOW MANAGEMENT AND LIQUIDITY RISK

The management of cash flow in the Group is the responsibility of the Group's treasury function at the corporate level.

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

EXCHANGE RATE AND INTEREST RATE RISKS

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

Considering that a relatively stable currency regime with regard to the Renminbi is maintained by the PRC Government, which only allows the exchange rate to fluctuate within a narrow range going forward, the Group expects that the fluctuation of the exchange rates between Renminbi and Hong Kong dollars and US dollars may not be significant.

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

At 30 June 2009, the Group has two outstanding mortgage loans that bear variable interests which were linked to Hong Kong Inter-bank Borrowing Rate. Pursuant to the loan agreements of these mortgage loans, the Group is required to hedge against the variability of cash flow arising from interest rate fluctuations. Accordingly, the Group has entered into interest rate swaps in which the Group would receive interest at variable rates at Hong Kong Inter-bank Borrowing Rate and pay interest at fixed rates ranging from 3.32% to 3.58% based on the notional amounts of HK$4,581 million in aggregate.

Save as disclosed above, the Group did not hold any other derivative financial instruments as of 30 June 2009. The Group continues to monitor its exposure to interest rate and exchange rate risks closely and may employ derivative financial instruments to hedge against the risks exposed when necessary.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF SHUI ON LAND LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 26 to 54, which comprises the condensed consolidated statement of financial position of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2009

Condensed Consolidated Income Statement

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 RMB'million (Unaudited)	2008 RMB'million (Restated and unaudited)
Turnover	3	**1,335**	1,132
Cost of sales		**(945)**	(504)
Gross profit		**390**	628
Other income		**107**	245
Selling and marketing expenses		**(39)**	(58)
General and administrative expenses		**(261)**	(353)
Operating profit	4	**197**	462
Increase in fair value of investment properties	9	**199**	296
Gain on partial disposal of equity interests in subsidiaries	18	**–**	862
Share of results of associates		**398**	35
Finance costs, net of exchange gain	5	**(60)**	178
Profit before taxation		**734**	1,833
Taxation	6	**(78)**	(438)
Profit for the period		**656**	1,395
Attributable to:			
Shareholders of the Company		**718**	1,294
Non-controlling interests		**(62)**	101
		656	1,395
Earnings per Share	8		
– Basic		**RMB0.16**	RMB0.28
– Diluted		**RMB0.15**	RMB0.28

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 RMB'million (Unaudited)	2008 RMB'million (Unaudited)
Profit for the period	**656**	1,395
Other Comprehensive Income		
Exchange difference arising on translation of foreign operations	**(10)**	19
Fair value adjustments on interest rate swaps designated in cash flow hedges (note 12(a))	**60**	171
Fair value adjustments on cross currency interest rate swaps designated in cash flow hedges (note 12(b))	**–**	(158)
Reclassification of fair value adjustments on cross currency interest rate swaps designated in cash flow hedges (note 12(b))	**–**	104
Other comprehensive income for the period	**50**	136
Total comprehensive income for the period	**706**	1,531
Total Comprehensive Income Attributable to:		
Shareholders of the Company	**768**	1,430
Non-controlling interests	**(62)**	101
	706	1,531

Condensed Consolidated Statement of Financial Position

As of 30 June 2009

	Notes	30 June 2009 RMB'million (Unaudited)	31 December 2008 RMB'million (Restated and audited)
Non-current Assets			
Investment properties	9	**19,927**	8,466
Property, plant and equipment		**337**	343
Prepaid lease payments		**43**	6,290
Properties under development		**–**	2,411
Interests in associates	10	**694**	296
Loans to associates	10	**1,392**	1,331
Accounts receivable	11	**338**	329
Pledged bank deposits		**872**	694
Defined benefit assets		**4**	4
Deferred tax assets		**145**	146
		23,752	20,310
Current Assets			
Properties under development for sale		**8,226**	7,786
Properties held for sale		**2,176**	3,090
Accounts receivable, deposits and prepayments	11	**610**	941
Loans receivable		**417**	414
Amounts due from associates	10	**143**	450
Amounts due from related parties		**78**	62
Amounts due from non-controlling shareholders of subsidiaries		**6**	176
Pledged bank deposits		**1,750**	1,015
Bank balances and cash		**2,903**	1,671
		16,309	15,605
Current Liabilities			
Accounts payable, deposits received and accrued charges	13	**5,361**	4,418
Amount due to an associate	10	**54**	–
Amounts due to related parties		**51**	33
Amounts due to non-controlling shareholders of subsidiaries		**728**	758
Loan from a non-controlling shareholder of a subsidiary		**200**	199
Tax liabilities		**661**	739
Bank borrowings – due within one year		**2,200**	1,953
		9,255	8,100
Net Current Assets		**7,054**	7,505
Total Assets Less Current Liabilities		**30,806**	27,815

	Notes	30 June 2009 RMB'million (Unaudited)	31 December 2008 RMB'million (Restated and audited)
Capital and Reserves			
Share capital	14	**99**	84
Reserves		**19,284**	16,779
Equity attributable to shareholders of the Company		**19,383**	16,863
Non-controlling interests		**1,046**	1,312
Total Equity		**20,429**	18,175
Non-current Liabilities			
Bank borrowings – due after one year		**7,066**	6,245
Derivative financial instruments designated as hedging instruments	12	**196**	256
Loan from a non-controlling shareholder of a subsidiary		**670**	670
Loan from a director		**567**	567
Deferred tax liabilities		**1,878**	1,902
		10,377	9,640
Total Equity and Non-current Liabilities		**30,806**	27,815

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2009

	Attributable to shareholders of the Company											
	Share capital RMB'million	Share premium RMB'million	Merger reserve RMB'million (note 15(a))	Special reserve RMB'million (note 15(b))	Share option reserve RMB'million	Exchange reserve RMB'million	Hedge reserve RMB'million	Other reserves RMB'million (note 15(c))	Retained earnings RMB'million	Total RMB'million	Non-controlling interests RMB'million	Total RMB'million
Balance at 1 January 2009 (audited)	84	10,689	122	(331)	89	38	(136)	603	6,650	17,808	1,356	19,164
Effect of retrospective adoption of IFRIC 15 (note 2)	–	–	–	(62)	–	–	–	–	(883)	(945)	(44)	(989)
As restated	84	10,689	122	(393)	89	38	(136)	603	5,767	16,863	1,312	18,175
Profit for the period	–	–	–	–	–	–	–	–	718	718	(62)	656
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(10)	–	–	–	(10)	–	(10)
Fair value adjustments on interest rate swaps designated in cash flow hedges (note 12(a))	–	–	–	–	–	–	60	–	–	60	–	60
Total comprehensive income for the period	–	–	–	–	–	(10)	60	–	718	768	(62)	706
Recognition of equity-settled share-based payments expenses	–	–	–	–	30	–	–	–	–	30	–	30
Bonus issue of shares	8	(8)	–	–	–	–	–	–	–	–	–	–
Issue of new shares at a premium	7	1,790	–	–	–	–	–	–	–	1,797	–	1,797
Transaction costs attributable to issue of new shares	–	(38)	–	–	–	–	–	–	–	(38)	–	(38)
Dividend paid to a non-controlling shareholder of subsidiaries	–	–	–	–	–	–	–	–	–	–	(204)	(204)
2008 final dividend of HK$0.01 per share paid	–	–	–	–	–	–	–	–	(37)	(37)	–	(37)
Balance at 30 June 2009 (unaudited)	99	12,433	122	(393)	119	28	(76)	603	6,448	19,383	1,046	20,429

	Attributable to shareholders of the Company											
	Share capital RMB'million	Share premium RMB'million	Merger reserve RMB'million (note 15(a))	Special reserve RMB'million (note 15(b))	Share option reserve RMB'million	Exchange reserve RMB'million	Hedge reserve RMB'million	Other reserves RMB'million (note 15(c))	Retained earnings RMB'million	Total RMB'million	Non-controlling interests RMB'million	Total RMB'million
Balance at 1 January 2008 (audited)	84	10,689	122	(411)	35	40	(84)	603	4,800	15,878	828	16,706
Effect of retrospective adoption of IFRIC 15 (note 2)	–	–	–	(49)	–	–	–	–	(201)	(250)	(52)	(302)
As restated	84	10,689	122	(460)	35	40	(84)	603	4,599	15,628	776	16,404
Profit for the period	–	–	–	–	–	–	–	–	1,294	1,294	101	1,395
Exchange difference arising on translation of foreign operations	–	–	–	–	–	19	–	–	–	19	–	19
Fair value adjustments on interest rate swaps designated in cash flow hedges (note 12(a))	–	–	–	–	–	–	171	–	–	171	–	171
Fair value adjustments on cross currency interest rate swaps designated in cash flow hedges (note 12(b))	–	–	–	–	–	–	(158)	–	–	(158)	–	(158)
Reclassification of fair value adjustments on cross currency interest rate swaps in cash flow hedges (note 12(b))	–	–	–	–	–	–	104	–	–	104	–	104
Total comprehensive income for the period	–	–	–	–	–	19	117	–	1,294	1,430	101	1,531
Recognition of equity-settled share-based payments expenses	–	–	–	–	19	–	–	–	–	19	–	19
Capital injection	–	–	–	–	–	–	–	–	–	–	14	14
Release of special reserve upon disposal of related assets	–	–	–	41	–	–	–	–	–	41	–	41
Release upon partial disposal of equity interests in subsidiaries	–	–	–	17	–	–	–	–	–	17	246	263
2007 final dividend of HK$0.10 per share paid	–	–	–	–	–	–	–	–	(373)	(373)	–	(373)
At 30 June 2008 (unaudited)	84	10,689	122	(402)	54	59	33	603	5,520	16,762	1,137	17,899

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 RMB'million (Unaudited)	2008 RMB'million (Unaudited)
Net Cash from Operating Activities	**1,106**	1,191
Net Cash Used In Investing Activities		
Additions to investment properties	**(1,682)**	–
Additions to properties under development	**–**	(329)
Additions to properties under development for sale	**(337)**	(552)
Additions to prepaid lease payments	**–**	(1,672)
Increase in pledged bank deposits	**(913)**	(1,093)
Proceeds from partial disposal of equity interests in subsidiaries	**339**	971
Increase in investments in and loans to associates	**–**	(414)
Decrease (increase) in amounts due from associates	**307**	(447)
Other investing cash flows	**12**	(10)
	(2,274)	(3,546)
Net Cash from Financing Activities		
Net proceeds on issuance of new shares	**1,759**	–
New bank loans raised	**2,465**	4,684
Repayment of bank loans	**(1,394)**	(1,041)
Increase in amount due to an associate	**54**	–
Dividend paid	**(37)**	(373)
Dividend paid to non-controlling shareholders	**(204)**	–
Settlement of derivative financial instruments	**–**	(347)
Other financing cash flows	**(242)**	(522)
	2,401	2,401
Net Increase in Cash and Cash Equivalents	**1,233**	46
Cash and Cash Equivalents at the Beginning of the Period	**1,671**	2,843
Effect of Foreign Exchange Rate Changes	**(1)**	42
Cash and Cash Equivalents at the End of the Period	**2,903**	2,931
Analysis of the Balances of Cash and Cash Equivalents		
Bank balances and cash	**2,903**	2,931

Selected Explanatory Notes To the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. GENERAL

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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except as described below.

In the current interim period, the Group has applied, for the first time, the following International Financial Reporting Standard ("IFRS"), IAS and Interpretations ("IFRIC") (hereinafter collectively referred to as "new IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1 January 2009.

IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to amendment to paragraph 80 of IAS 39
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

IAS 1 (Revised) Presentation of Financial Statements

IAS 1 (Revised) has introduced a number of terminology changes (including revised titles of the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, IAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as for financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of IFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14, and has had no impact on the reported results or financial position of the Group.

IFRIC 15 Agreements for the Construction of Real Estate

In previous years, when properties were sold under pre-sale arrangements prior to the completion of the development, revenue and profit were recognised on the execution of binding sales agreements or when the relevant completion certificates were issued by the respective government authorities, whichever was the later. With the issuance of IFRIC 15, which contains more detailed guidance on the accounting treatment for such real estate transactions, the Directors of the Company have reassessed the Group's accounting policy on revenue recognition for sales of properties and are of the view that property sales should be recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

The change in accounting policy on revenue recognition for sales of properties has been adopted retrospectively and hence the comparative figures of the condensed consolidated income statement for the six months ended 30 June 2008 have been restated to adjust for the revenue together with the related cost of sales and taxation which arose from the sales of properties.

The effects of changes in the accounting policy described above on the financial results for the current and prior periods by line items presented in the condensed consolidated income statement are as follows:

	Six months ended 30 June	
	2009 RMB'million (Unaudited)	2008 RMB'million (Unaudited)
Decrease in turnover	**(234)**	(1,052)
(Increase) decrease in cost of sales	**(53)**	285
Decrease in taxation	**202**	314
Decrease in profit for the period	**(85)**	(453)
Attributable to:		
Shareholders of the Company	**(105)**	(484)
Non-controlling interests	**20**	31
	(85)	(453)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

IFRIC 15 Agreements for the Construction of Real Estate (Continued)

The cumulative effects of the changes in accounting policy described above on the financial positions of the Group at 31 December 2008 and 1 January 2008 are summarised below:

	At 31 December 2008 RMB'million (Unaudited)	At 1 January 2008 RMB'million (Unaudited)
Increase in properties held for sale	**1,061**	581
Decrease in accounts receivable, deposits and prepayments	**(229)**	(262)
Increase in accounts payable, deposits received and accrued charges	**(2,336)**	(813)
Decrease in tax liabilities	**133**	27
Decrease in deferred tax liabilities	**382**	165
	(989)	(302)
Decrease in reserves	**(945)**	(250)
Decrease in non-controlling interests	**(44)**	(52)
	(989)	(302)

The effects of the change in accounting policy on the Group's basic and diluted earnings per share are as follows:

Impact on basic earnings per share

	Six months ended 30 June	
	2009 RMB (Unaudited)	2008 RMB (Unaudited)
Reported figure before adjustments	**0.18**	0.42
Adjustments arising from issuance of bonus shares (note 7)	**–**	(0.03)
Adjustments arising from change in accounting policy	**(0.02)**	(0.11)
As restated	**0.16**	0.28

Impact on diluted earnings per share

	Six months ended 30 June	
	2009 RMB (Unaudited)	2008 RMB (Unaudited)
Reported figure before adjustments	**0.17**	0.42
Adjustments arising from issuance of bonus shares (note 7)	**–**	(0.03)
Adjustments arising from change in accounting policy	**(0.02)**	(0.11)
As restated	**0.15**	0.28

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

IFRSs (Amendments) Improvements to IFRSs issued in 2008

The application of the amendment to IAS 40 Investment Property as part of the Improvements to IFRSs issued in 2008 has affected the accounting for properties under construction or development for future use as investment properties of the Group. The amendment to IAS 40 brings such properties within the scope of IAS 40 which, therefore, shall be accounted for under the fair value model (where the fair value is reliably determinable) in accordance with the Group's accounting policy.

In the past, the leasehold land and building elements of properties under construction or development were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses. The Group has applied the amendment to IAS 40 prospectively from 1 January 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's properties under construction or development for future use as investment properties that include the leasehold land and building elements with carrying amount of RMB6,246 million and RMB2,411 million, respectively have been classified as investment properties as of 1 January 2009. Investment properties under construction or development of which the fair value can be determined reliably have been measured at fair values as of 30 June 2009. The fair value of those properties as of 30 June 2009 amounted to RMB5,273 million, with an increase in fair value of RMB176 million being recognised in condensed consolidated income statement for the six months ended 30 June 2009. Other properties under construction or development of which the fair value cannot be determined reliably have been measured at cost less impairment. The carrying amount of those properties as of 30 June 2009 amounted to RMB5,779 million.

Moreover, certain associates of the Group are principally engaged in property development. The associates have investment properties under construction or development. The application of the amendment to IAS 40 has resulted in an increase in the Group's share of results of those associates by RMB408 million. The increase is attributable to an increase in fair value of the associates' investment properties under construction or development (net of related tax) of RMB408 million that has been recognised in the Group's condensed consolidated income statement for the six months ended 30 June 2009.

The effects of the changes in accounting policy described above on the financial results for the current period by line items presented in the condensed consolidated income statement are as follows:

	Six months ended 30 June 2009
	RMB'million (Unaudited)
Increase in fair value of investment properties	**176**
Share of results of associates	**408**
Profit before taxation	**584**
Increase in taxation	**(44)**
Increase in profit for the period	**540**
Attributable to:	
Shareholders of the Company	**612**
Non-controlling interests	**(72)**
	540

Other than the above, the adoption of these new IFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs issued in 2008[1]
IFRSs (Amendments)	Improvements to IFRSs issued in 2009[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1(Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 18	Transfers of Assets from Customers[4]

1 Effective for annual periods beginning on or after 1 July 2009

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for transfers on or after 1 July 2009

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. TURNOVER AND SEGMENTAL INFORMATION

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

	Six months ended 30 June	
	2009 RMB'million (Unaudited)	2008 RMB'million (Restated and unaudited)
Property development:		
Property sales	**1,010**	827
Property investment:		
Rental income from investment properties	**260**	236
Income from serviced apartments	**9**	13
Property management fees	**13**	14
Rental related income	**23**	24
	305	287
Others	**20**	18
	1,335	1,132

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers that are the Directors of the Company, in order to allocate resources to segments and to assess their performance. The application of IFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14, and has had no impact on the reported results or financial position of the Group.

For management purposes, the Group's business activities are broadly categorised into the following two major business segments – property development and property investment.

Principal activities are as follows:

Property development	– development and sale of properties
Property investment	– property letting, property management and operations of serviced apartments

	Six months ended 30 June 2009 (Unaudited)			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	**1,010**	**305**	**20**	**1,335**
Results				
Segment results	**18**	**439**	**11**	**468**
Interest income				**107**
Share of results of associates				**398**
Finance costs, net of exchange gain				**(60)**
Net unallocated expenses				**(179)**
Profit before taxation				**734**
Taxation				**(78)**
Profit for the period				**656**

	Six months ended 30 June 2008 (Restated and unaudited)			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	827	287	18	1,132
Results				
Segment results	369	493	4	866
Interest income				122
Gain on partial disposal of equity interests in subsidiaries				862
Share of results of associates				35
Finance costs, net of exchange gain				178
Net unallocated expenses				(230)
Profit before taxation				1,833
Taxation				(438)
Profit for the period				1,395

4. OPERATING PROFIT

	Six months ended 30 June 2009 RMB'million (Unaudited)	2008 RMB'million (Restated and unaudited)
Operating profit has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	**–**	2
Depreciation of property, plant and equipment	**25**	33
Less: Amount capitalised to properties under development	**(1)**	(1)
	24	32
Release of prepaid lease payments	**1**	71
Less: Amount capitalised to properties under development	**–**	(70)
	1	1
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and allowances	**8**	8
Share-based payment expenses	**2**	1
	11	10
Other staff costs		
Salaries, bonuses and allowances	**138**	163
Retirement benefit costs	**13**	11
Share-based payment expenses	**28**	18
	179	192
Total employee benefits expenses	**190**	202
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(43)**	(40)
	147	162
Cost of properties sold recognised as an expense	**886**	448
Rental charges under operating leases	**23**	20
Interest income	**(107)**	(122)
Tax refunds from reinvestment of dividends and grants received from local governments	**–**	(109)

5. FINANCE COSTS, NET OF EXCHANGE GAIN

	Six months ended 30 June	
	2009 RMB'million (Unaudited)	2008 RMB'million (Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	**251**	188
Interest on amount due to non-controlling shareholders of subsidiaries wholly repayable within five years (note 21)	**25**	2
Interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (note 21)	**30**	–
Imputed interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (note 21)	**1**	4
Interest on loan from a director wholly repayable within five years (note 21)	**23**	–
Interest on notes	**–**	158
Less: Net interest income from cross currency interest rate swap	**–**	(25)
Total interest costs	**330**	327
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(311)**	(304)
	19	23
Loss on change in fair value of early redemption rights on notes	**–**	7
Fair value change on cross currency interest rate swap (note 12(b))	**–**	(104)
Net exchange gain on bank borrowings and other financing activities	**(12)**	(129)
Other finance costs	**53**	25
	60	(178)

Borrowing costs capitalised during the six months ended 30 June 2009 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 5% (six months ended 30 June 2008: approximately 6%) per annum to expenditure on the qualifying assets.

6. TAXATION

	Six months ended 30 June	
	2009 RMB'million (Unaudited)	2008 RMB'million (Restated and unaudited)
People's Republic of China ("PRC") Enterprise Income Tax	**73**	78
Deferred taxation	**(23)**	(21)
PRC Land Appreciation Tax	**28**	381
	78	438

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.

6. TAXATION (Continued)

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (six months ended 30 June 2008: 25%) on the assessable profits of the companies in the Group during the period.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

During the six months ended 30 June 2008, the Group revised cost allocation for certain public facilities among various property development companies incorporated in the PRC that undertake the development of the various phases of the Shanghai Taipingqiao project. The revised cost allocation, which has been accepted by the relevant local tax bureau in the recent income tax filing, resulted in a change in accounting estimates for the provision in Land Appreciation Tax and, accordingly, an additional provision of RMB346 million has been made and charged to the condensed consolidated income statement for the six months ended 30 June 2008. Consequently, a corresponding reduction in deferred tax liabilities of RMB87 million has been made and credited to the condensed consolidated income statement for the same period.

7. DIVIDENDS

	Six months ended 30 June	
	2009 RMB'million (Unaudited)	2008 RMB'million (Unaudited)
Final dividend paid	**37**	373
Interim dividend declared in respect of 2009 of HK$0.01 (2008: HK$0.07) per share	**44**	257

The Board has declared the payment of HK$0.01 (equivalent to RMB0.0088) (2008: HK$0.07 (equivalent to RMB0.061)) per share as the interim dividend in respect of 2009.

In June 2009, a final dividend in respect of 2008 of HK$0.01 (equivalent to RMB0.0088) per share was paid to the shareholders of the Company. In addition, a bonus issue of shares, which represented a total of 418,559,717 ordinary shares, was issued to the shareholders of the Company on the basis of one bonus share for every ten ordinary shares then held. The bonus shares ranked pari passu to the existing ordinary shares.

In June 2008, a final dividend in respect of 2007 of HK$0.10 (equivalent to RMB0.089) per share was paid to the shareholders of the Company.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
Earnings	**2009 RMB'million (Unaudited)**	2008 RMB'million (Restated and unaudited)
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the period attributable to shareholders of the Company	**718**	1,294

	Six months ended 30 June	
Number of shares	**2009 'million (Unaudited)**	2008 'million (Restated and unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,620**	4,604
Effect of dilutive potential shares:		
Share options issued by the Company (note)	**44**	7
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,664**	4,611

Note: Other than the share options granted on 3 November 2008, there were no dilution effects for all the share options granted as the exercise price of the share options granted were higher than the average market price for the period (six months ended 30 June 2008: Other than the share options granted on 20 June 2007 and 2 June 2008, there were no dilution effects for all the share options granted as the exercise price of the share options granted were higher than the average market price for the period).

9. INVESTMENT PROPERTIES

	30 June 2009 RMB'million (Unaudited)	31 December 2008 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	**8,875**	8,466
Investment properties under construction or development,		
stated at fair value	**5,273**	–
stated at cost	**5,779**	–
	11,052	–
	19,927	8,466

All investment properties are situated in the PRC under long/medium-term leases. All the completed investment properties are rented out under operating leases.

In circumstances where the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is completed, such investment properties under construction or development are measured at cost using the cost model in IAS 16 until either its fair value becomes reliably determinable or construction is completed (whichever is the earlier).

9. INVESTMENT PROPERTIES (Continued)

All other investment properties held under operating leases to earn rentals and properties that are under construction or development for future use as investment properties are accounted for using the fair value model. The resulting increase in fair value of completed investment properties of RMB23 million (six months ended 30 June 2008: RMB296 million) and fair value of investment properties under construction or development of RMB176 million (six months ended 30 June 2008: nil), with an aggregate amount of RMB199 million (six months ended 30 June 2008: RMB296 million), have been recognised as income in the condensed consolidated income statement.

During the six months ended 30 June 2008, prepaid lease payments and properties under development amounting to RMB10 million and RMB6 million, respectively, were transferred to investment properties upon the completion of the construction of such properties.

The fair values of the Group's investment properties at 30 June 2009 and 31 December 2008 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuers not connected to the Group.

For completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term.

For investment properties under construction or development, the valuations have been arrived at adopting direct comparison approach with reference to comparable transactions in the locality and assuming that the investment properties will be completed in accordance with the development proposals provided to us and the relevant approvals for the proposals have been obtained. The valuations have also taken into account the relevant cost of development, including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the properties.

10. INTEREST IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES/AMOUNT DUE TO AN ASSOCIATE

	30 June 2009 RMB'million (Unaudited)	31 December 2008 RMB'million (Audited)
Cost of investments, unlisted	**227**	227
Share of post acquisition profits	**467**	69
	694	296
Loans to associates	**1,392**	1,331
Amounts due from associates	**143**	450
Amount due to an associate	**54**	–

Loans to associates represent the loans to subsidiaries of Richcoast Group Limited ("Richcoast"), an associate of the Group, for financing the development of Dalian Tiandi, a property development project in Dalian, the PRC. Pursuant to the Joint Venture Agreement dated 25 May 2007, the loans are unsecured, interest-free and with no fixed terms of repayment until Many Gain International Limited ("Many Gain"), a shareholder of Richcoast which is an independent third party, has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 10% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rates of 9.6% (31 December 2008: 9.6%) per annum.

The amounts due from associates are unsecured, interest bearing at 5.8% (31 December 2008: 5.8%) per annum and repayable on demand.

The amount due to an associate is unsecured, interest free and repayable on demand.

11. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	30 June 2009 RMB'million (Unaudited)	31 December 2008 RMB'million (Restated and audited)
Non-current accounts receivable comprise of:		
Receivables from sales of properties (note (a))	**288**	283
Deferred rental receivables	**50**	46
	338	329
Current accounts receivable comprise of:		
Trade receivables (net of allowance for bad and doubtful debts) with aged analysis:		
Not yet due	**80**	25
Within 30 days	**5**	6
31 – 60 days	**3**	–
61 – 90 days	**1**	–
Over 90 days	**3**	3
	92	34
Consideration receivable on partial disposals of equity interests in subsidiaries (note (b))	**–**	339
Prepayments of relocation costs (note (c))	**437**	474
Other deposits, prepayments and receivables	**81**	94
	610	941

Trade receivables comprise of:

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

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

Notes:

(a) The amounts are unsecured and repayable on or before 31 December 2010. RMB171 million (31 December 2008: RMB162 million) of the entire amount outstanding at 30 June 2009 is interest-free whereas the remaining balance of RMB117 million (31 December 2008: RMB121 million) is interest bearing as follows:

(i) the whole amount is interest-free from 1 January 2007 to 31 December 2007;

(ii) half of the amount is interest-free and the remaining amount bears interest at 5% per annum from 1 January 2008 to 31 December 2008;

(iii) the whole amount bears interest at simple interest rate of 6% per annum from 1 January 2009 to 31 December 2009; and

(iv) the full amount bears interest at simple interest rate of 8% per annum from 1 January 2010 to 31 December 2010.

These receivables are carried at amortised cost at effective interest rate of 8% (31 December 2008: 8%) per annum.

(b) The balance at 31 December 2008 represented the consideration receivable on partial disposals of equity interests in Foresight Profits Limited and Rightchina Limited. These amounts were unsecured, interest-bearing at People's Bank of China one-year borrowing rate and were fully settled during the six months ended 30 June 2009.

(c) The balance represents the amounts that will be capitalised to the properties under development in accordance with the Group's normal operating cycle, and not expected to be realised within twelve months from the end of the reporting period.

12. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair value are determined based on valuation provided by the counterparty financial institution.

(a) Interest rate swaps

At 30 June 2009 and 31 December 2008, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interests at variable rates at Hong Kong Interbank Offered Rate ("HIBOR") and pay interest at fixed rates ranging from 3.32% to 3.58% based on the notional amounts of HK$4,581 million in aggregate. The Group designated the interest rate swaps as hedging instruments against the variability of interest payments of certain bank borrowings of the Group amounting to HK$4,581 million which bear variable interest rates at HIBOR plus spread ranging from 2.75% to 2.90% and will be mature on or before March 2013. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the six months ended 30 June 2009, fair value gain arising from the interest rate swaps of RMB60 million (six months ended 30 June 2008: RMB171 million) was deferred in equity as hedge reserve, which is expected to be recognised in the condensed consolidated income statement at various dates upon the interests payments of the related bank borrowings are expected to settle.

(b) Cross currency interest rate swap

At 1 January 2008, the Group had outstanding cross currency interest rate swaps to receive interest at a fixed rate of 8.5% per annum based on a notional amount of US$375 million, pay interest at a fixed rate of 5.2% per annum based on the notional amount of RMB2,931 million and to exchange the principal at maturity to receive US$375 million and pay RMB2,931 million. The Group had designated the cross currency interest rate swaps as hedging instruments against the variability of cash flows arising from the fluctuation of currency in relation to the notes issued by the Group. The terms of the cross currency interest rate swap had been negotiated to match the terms of the notes.

In April 2008, the cross currency interest rate swaps were early terminated. The fair value loss arising from the cross currency interest rate swaps of RMB158 million had been initially dealt with in the hedge reserve; an amount of RMB104 million was recognised in the condensed consolidated income statement in line with the corresponding exchange gain recognised in respect of the notes liability designated as the hedge item. The residual balance of the hedge reserve amounting to RMB138 million was recognised in the consolidated income statement upon the maturity of the notes in October 2008.

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2009 RMB'million (Unaudited)	31 December 2008 RMB'million (Restated and audited)
Trade payable aged analysis:		
Not yet due	**1,199**	691
Within 30 days	**56**	85
31-60 days	**16**	9
61-90 days	**10**	1
Over 90 days	**5**	4
	1,286	790
Retention payables (note)	**142**	120
Deed tax, business tax and other tax payables	**514**	678
Deposits received and receipt in advance from property sales	**3,041**	2,480
Deposits received and receipt in advance in respect of rental of investment properties	**165**	156
Accrued charges	**213**	194
	5,361	4,418

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

14. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2008, 30 June 2008 and 31 December 2008	12,000,000,000	30,000	4,185,597,171	10,464
Issue of bonus shares (note 7)	**–**	**–**	**418,559,717**	**1,046**
Issue of new shares	**–**	**–**	**418,500,000**	**1,046**
At 30 June 2009	**12,000,000,000**	**30,000**	**5,022,656,888**	**12,556**

	30 June 2009 RMB'million (Unaudited)	31 December 2008 RMB'million (Audited)
Shown in the condensed consolidated statement of financial position as	**99**	84

In June 2009, 418,500,000 new ordinary shares were issued to independent third parties at the price of HK$4.87 per share. The gross proceeds from the new issue were approximately HK$2,038 million (equivalent to RMB1,797 million). The new ordinary shares rank pari passu to the existing ordinary shares.

The issue price of HK$4.87 per share, representing a discount of approximately 7% to the closing price of HK$5.24 per share of the Company on 10 June 2009. The Directors consider that the terms of the new issue are on normal commercial terms and are fair and reasonable based on the then market conditions and the new issue is in the interests of the Company and the Shareholders as a whole.

15. OTHER RESERVES

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in the condensed consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

During the six months ended 30 June 2008, an amount of RMB41 million was released to condensed consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates, and an amount of RMB17 million was released to condensed consolidated income statement upon the partial disposal of equity interests in subsidiaries (note 18).

(c) Other reserves comprise:

(i) An amount of RMB483 million represents payable waived in 2004 by Shui On Investment Company Limited, a subsidiary of Shui On Company Limited, in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of Shui On Investment Company Limited, and recharged to certain subsidiaries of the Company.

(ii) Capital contribution of RMB21 million arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) Non-distributable reserve of RMB99 million arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC in 2006.

16. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 30 June 2009, 243,543,263 share options (31 December 2008: 262,727,583 share options) remained outstanding under the Scheme, representing 4.8% (31 December 2008: 6.3%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

No share options were granted during the six months ended 30 June 2009. Details of the share options granted during the six months ended 30 June 2008 are as follows:

Date of grant	Exercise price HK$	Closing share price at date of grant HK$	Weighted average estimated fair value at date of grant HK$	Number of share options granted
2 January 2008	8.97	8.90	3.35	3,725,183
1 February 2008	8.05	8.05	2.93	2,419,238
3 March 2008	7.68	7.68	2.80	813,794
2 May 2008	7.93	7.93	2.91	9,722,499
2 June 2008	7.34	7.34	2.75	15,905,938
				32,586,652

These fair values were calculated using the Binominal model. The inputs into the model were as follows:

Expected volatility	40%
Expected life	4.57 to 8.75 years
Risk-free rate	1.90% to 3.34%
Expected dividend yield	2.0%

Expected volatility was determined by using the volatility of the listed companies in the same industry over the previous 7 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

16. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The vesting period and the exercisable period of the share options granted to eligible employees and directors are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary to the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary to the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary to the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary to the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary to the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary to the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary to the date of grant

The vesting period and the exercisable period of the share options granted to a consultant are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary to the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary to the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary to the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary to the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary to the date of grant

The share options granted to independent non-executive directors, a non-executive director and a consultant are unconditional and fully vested at the date of grant and exercisable on or before the 5th anniversary to the date of grant.

The Group recognised the total expense of RMB30 million (six months ended 30 June 2008: RMB19 million) in the condensed consolidated income statement in relation to share options granted by the Company.

No share options were exercised during the six months ended 30 June 2009 and 2008.

16. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The movement in the Company's share options is set out below:

	Number of options				
Date of grant	At 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2009
20 June 2007	**118,747,544**	**–**	**–**	**(4,895,062)**	**113,852,482**
1 August 2007	**1,371,013**	**–**	**–**	**(64,180)**	**1,306,833**
2 October 2007	**4,845,000**	**–**	**–**	**(2,125,000)**	**2,720,000**
1 November 2007	**4,272,054**	**–**	**–**	**(10,611)**	**4,261,443**
3 December 2007	**1,500,488**	**–**	**–**	**(151,820)**	**1,348,668**
2 January 2008	**3,449,266**	**–**	**–**	**(44,593)**	**3,404,673**
1 February 2008	**2,099,366**	**–**	**–**	**(291,923)**	**1,807,443**
3 March 2008	**774,732**	**–**	**–**	**(19,531)**	**775,201**
2 May 2008	**7,796,274**	**–**	**–**	**(312,102)**	**7,484,172**
2 June 2008	**15,837,819**	**–**	**–**	**(551,766)**	**15,286,053**
2 July 2008	**1,784,027**	**–**	**–**	**(108,357)**	**1,675,670**
3 November 2008	**100,250,000**	**–**	**–**	**(10,609,375)**	**89,640,625**
Total	**262,727,583**	**–**	**–**	**(19,184,320)**	**243,543,263**
Number of options exercisable at the beginning and end of the period	**3,900,000**				**17,628,252**

	Number of options				
Date of grant	At 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2008
20 June 2007	137,666,798	–	–	(12,509,262)	125,157,536
1 August 2007	1,435,193	–	–	(64,180)	1,371,013
2 October 2007	5,200,000	–	–	(220,000)	4,980,000
1 November 2007	4,505,498	–	–	(140,067)	4,365,431
3 December 2007	1,601,700	–	–	(60,727)	1,540,973
2 January 2008	–	3,725,183	–	(89,185)	3,635,998
1 February 2008	–	2,419,238	–	(214,284)	2,204,954
3 March 2008	–	813,794	–	–	813,794
2 May 2008	–	9,722,499	–	(1,532,155)	8,190,344
2 June 2008	–	15,905,938	–	–	15,905,938
Total	150,409,189	32,586,652	–	(14,829,860)	168,165,981
Number of options exercisable at the beginning and end of the period	3,700,000				3,900,000

17. ACQUISITION OF SUBSIDIARIES

Pursuant to a sale and purchase agreement dated 26 February 2008 entered into between Foresight Profits Limited ("Foresight"), an indirect then wholly-owned subsidiary of the Company, as purchaser and Smithton Limited ("Smithton"), an indirect wholly-owned subsidiary of Shui On Company Limited, as seller, Foresight agreed to acquire from Smithton its entire investment in the issued capital of Silomax Limited ("Silomax") and the loan owing by Silomax to Smithton in the amount of approximately HK$147 million (equivalent to RMB138 million) for a consideration of approximately HK$154 million (equivalent to RMB145 million). Silomax is the indirect owner of the project company holding Shanghai Rui Hong Xin Cheng Phase I.

The acquisition was accounted for during the six months ended 30 June 2008 as purchase of assets and liabilities rather than as business combination as the subsidiaries acquired are investment and property holding companies with business concerns.

The net assets acquired in the transaction were as follows:

Net assets acquired:	**RMB'million**
Investment properties	**48**
Property, plant and equipment	**60**
Properties held for sale	**1**
Amounts due from related companies	**23**
Accounts receivable, deposits and prepayments	**2**
Bank balances and cash	**14**
Loan from Smithton	**(138)**
Other payables and accrued charges	**(3)**
	7
Assignment of loan from Silomax	**138**
Net assets acquired	**145**

Consideration satisfied by:	**At 30 June 2008 RMB'million**
Cash	32
Other payable (note)	113
Net assets acquired	145

Note: The amount is unsecured, interest-free and repayable on demand.

Pursuant to the sales and purchase agreement, all profits or losses of Silomax and its subsidiaries arising on or after 31 December 2007 shall be attributable to the Group. During the six months ended 30 June 2008, Silomax and its subsidiaries contributed turnover of RMB4 million and profit of RMB6 million to the Group, respectively.

18. PARTIAL DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES

Pursuant to a sale and purchase agreement dated 19 May 2008 entered into between Shui On Development (Holding) Limited ("SOD"), a wholly owned subsidiary of the Company, as the seller, and Winnington Capital Limited ("WCL"), a non-controlling shareholder of subsidiaries of the Company, as the purchaser, SOD agreed to sell to WCL a 25% of the issued share capital of Foresight, a then wholly owned subsidiary of SOD, at a consideration of RMB1,125 million in cash. The first instalment of RMB990 million was received by the Group in June 2008 upon the completion of the transaction. The second instalment of RMB135 million, which bore interest at the People's Bank of China Prescribed Interest Rate, was received in March 2009.

A gain of RMB862 million which arose from the above partial disposal has been recognised in the condensed consolidated income statement for the six months ended 30 June 2008.

Pursuant to this sale and purchase agreement, SOD also granted a call option to WCL for the acquisition of a further 24% of the issued share capital of Foresight at an exercise price of RMB1,134 million. This call option was exercisable during the period commencing from 1 December 2008 to 31 December 2008. On 6 January 2009, SOD entered into a supplemental deed with WCL and extended the exercisable period to 30 April 2009. The call option was not exercised during these periods.

19. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain certain banking facilities at the reporting date:

	30 June 2009 RMB'million (Unaudited)	31 December 2008 RMB'million (Restated and audited)
Investment properties	**11,073**	8,308
Property, plant and equipment	**114**	129
Prepaid lease payments	**43**	599
Properties under development	**–**	197
Properties under development held for sale	**2,018**	1,821
Properties held for sale	**390**	1,236
Accounts receivable	**135**	72
Bank deposits	**2,622**	1,709
	16,395	14,071

Included in bank deposits above is an amount of RMB443 million (31 December 2008: RMB443 million) which has been pledged to a bank to secure bank facilities granted to an associate.

In addition, the equity interests in certain subsidiaries were also pledged to banks as securities to obtain banking facilities for the Group at the reporting date.

20. COMMITMENTS AND CONTINGENCIES

As of the respective reporting dates, the Group had the following commitments:

	30 June 2009 RMB'million (Unaudited)	31 December 2008 RMB'million (Audited)
Contracted but not provided for:		
Capital expenditure in respect of the acquisition of property, plant and equipment	**–**	2
Development costs for investment properties	**3,951**	–
Development costs for properties under development	**–**	2,623
Development costs for properties under development held for sale	**3,153**	2,793
	7,104	5,418

As of 30 June 2009, the commitment for development costs included the committed relocation costs for the development of certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in that area.

Except as disclosed above, there have been no material changes in the Group's capital and other commitments as well as contingent liabilities since 31 December 2008.

21. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 17 and 18 and the condensed consolidated statement of financial position, the Group also had the following transactions with related parties during the period:

	Six months ended 30 June	
Nature of transactions	**2009 RMB million (Unaudited)**	2008 RMB million (Restated and unaudited)
Related company in which directors of the Company have beneficial interest		
Project management fee income	**–**	12
Fellow subsidiaries		
Project construction fees	**67**	116
Rental and building management fee expenses	**20**	14
Project management fee income	**8**	–
Interest income	**1**	–
Associate		
Imputed interest income	**62**	50
Rental and building management fee expenses	**–**	1
Shareholder		
Rental and building management fee expenses	**3**	2
Non-controlling shareholders of subsidiaries		
Interest income	**–**	1
Interest expenses	**55**	2
Imputed interest expenses	**1**	4
Project management fee	**2**	2
Jointly controlled entity		
Rental and building management fee income	**2**	2
A director		
Interest expenses	**23**	–
Senior management		
Properties sales	**2**	–

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 29 July 2009, the Group entered into a sale and purchase agreement with the non-controlling shareholders of Globe State Properties Limited ("Globe State"), an indirect 70% owned subsidiary of the Company, to acquire their entire interests in Globe State, being 30% equity interests in the issued share capital of Globe State, together with an amount due by Globe State to the non-controlling shareholders of RMB56 million, for a total cash consideration of RMB100 million. One third of the consideration was paid in July 2009, and the remaining two-thirds of the consideration will be payable upon the completion of the sale and purchase agreement on or before 31 December 2009.

Details of the transaction were set out in the announcement dated 29 July 2009.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.01 (2008: HK$0.07) per share to shareholders whose names appear on the Company's register of members on 22 October 2009. The interim dividend will be paid on 30 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 October 2009 to 22 October 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 15 October 2009.

DIRECTORS' INTERESTS IN SHARES

As of 30 June 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) The Company

(i) Long position in the shares of the Company

Name of Director	Nature of interests	Total number of ordinary shares	Interests in underlying shares[4]	Approximate percentage of interests in the Company
Mr. Vincent H. S. LO	Other and Family	2,509,375,245 [1] 1,265,000 [2]	–	49.98%
Mr. Louis H. W. WONG	Personal	1,982,200	5,510,203	0.14%
Mr. Aloysius T. S. LEE	Personal	517,000 [3]	2,971,137	0.06%
Dr. William K. L. FUNG	Personal	4,070,000	–	0.08%
The Honourable LEUNG Chun Ying	Personal	–	500,000	0.01%
Sir John R. H. BOND	Personal	–	500,000	0.01%
Dr. Edgar W. K. CHENG	Personal	–	500,000	0.01%
Professor Gary C. BIDDLE	Personal	220,000	500,000	0.01%
Dr. Roger L. McCARTHY	Personal	–	500,000	0.01%
Mr. David J. SHAW	Personal	–	500,000	0.01%

Notes:

(1) These shares are directly held by the subsidiaries of Shui On Company Limited ("SOCL"), namely Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. (formerly known as Bosrich Holdings Inc.). The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Vincent H. S. LO is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Vincent H. S. LO, Bosrich Holdings (PTC) Inc. and HSBC International Trustee Limited are deemed to be interested in such shares under the SFO. Mr. Vincent H. S. LO is also deemed to be interested in the shares held by New Rainbow Investments Limited, a wholly-owned subsidiary of Shui On Construction and Materials Limited.

(2) These shares are beneficially owned by Ms. Loletta CHU, the spouse of Mr. Vincent H. S. LO. Mr. Vincent H. S. LO is deemed to be interested in such shares under the SFO.

(3) These shares are held jointly with Ms. Kalice L. T. KWONG, the spouse of Mr. Aloysius T. S. LEE.

(4) These represent interests of share options granted to the Directors under the share option scheme to subscribe for shares of the Company, further details of which are set out in the section "Share Options".

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Associated Corporation — Shui On Construction and Materials Limited ("SOCAM")

(i) Long position in the shares of SOCAM

Name of Director	Nature of interests	Total number of ordinary shares	Approximate percentage of interests in SOCAM
Mr. Vincent H. S. LO	Other and Family	181,981,000 [1] 312,000 [2]	37.46%
Dr. William K. L. FUNG	Personal	682,000	0.14%

Notes:

(1) Among 181,981,000 SOCAM shares beneficially owned by SOCL, 166,148,000 SOCAM shares and 15,833,000 SOCAM shares are held respectively by SOCL and Shui On Finance Company Limited, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Vincent H. S. LO is a discretionary beneficiary. Accordingly, Mr. Vincent H.S. LO is deemed to be interested in such shares under the SFO.

(2) These shares are beneficially held by Ms. Loletta CHU, the spouse of Mr. Vincent H. S. LO. Mr. Vincent H. S. LO is deemed to be interested in such shares under the SFO.

(ii) Short position in the shares of SOCAM

Name of Director	Nature of interests	Total number of ordinary shares	Approximate percentage of interests in SOCAM
Mr. Vincent H. S. LO	Other	1,600,000 [1]	0.32%

Note:

(1) These shares represent the call option granted by SOCL on 27 August 2002 to Mr. Frankie Y. L. WONG as part of the incentive reward to his services to SOCAM. Mr. Vincent H. S. LO is deemed to have short position in these SOCAM shares under the SFO.

Save as disclosed above, as of 30 June 2009, no short positions were recorded in the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As of 30 June 2009, the following shareholders (other than Directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of shareholding
Ms. Loletta CHU	Family and Personal	2,510,640,245 [1]	49.98%
HSBC International Trustee Limited	Trustee	2,509,375,245 [2]	49.96%
Bosrich Holdings (PTC) Inc.	Trustee	2,509,375,245 [2]	49.96%
SOCL	Interest of Controlled Corporation	2,509,375,245 [2]	49.96%
SOCAM	Interest of Controlled Corporation	435,678,793 [3]	8.67%

Notes:

(1) The 2,510,640,245 shares are comprised of 1,265,000 shares beneficially held by Ms. Loletta CHU and 2,509,375,245 shares in which Mr. Vincent H. S. LO, the spouse of Ms. Loletta CHU, has a deemed interest under the SFO mentioned in note (2) below. Accordingly, Ms. Loletta CHU is also deemed to be interested in 2,509,375,245 shares under the SFO.

(2) These shares are beneficially owned by SOCL through its subsidiaries, comprising 1,034,000,000 shares, 1,039,696,452 shares and 435,678,793 shares held by Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Vincent H. S. LO is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Vincent H. S. LO, HSBC International Trustee Limited and Bosrich Holdings (PTC) Inc. are deemed to be interested in such shares under the SFO.

(3) These shares are beneficially owned by New Rainbow Investments Limited, a wholly-owned subsidiary of SOCAM. Accordingly, SOCAM is deemed to be interested in such shares under the SFO.

(4) All the interests stated above represent long positions.

Save as disclosed above, as of 30 June 2009, no short positions were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTIONS

Particulars of the Company's share option scheme ("the Share Option Scheme") adopted by the Company on 8 June 2007 are set out in note 16 to the Condensed Consolidated Financial Statements.

SHARE OPTIONS (continued)

The following table sets out the movement in the Company's share options during the six months ended 30 June 2009:

Name or category of eligible participants	Date of grant	Exercise price per share	At 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2009	Period during which options outstanding at 30 June 2009 are exercisable
		HK$						
Directors								
Mr. Louis H. W. WONG	20 June 2007	7.00	5,714,285	–	–	(204,082)	5,510,203	20 June 2009 – 19 June 2016
Mr. Aloysius T. S. LEE	1 November 2007	11.78	2,973,137	–	–	(2,000)	2,971,137	1 November 2009 – 31 October 2016
The Honourable LEUNG Chun Ying	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Sir John R. H. BOND	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Edgar W. K. CHENG	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Professor Gary C. BIDDLE	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Roger L. McCARTHY	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. David J. SHAW	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Sub-total			11,687,422	–	–	(206,082)	11,481,340	
Consultants								
Mr. Richard K. N. HO	20 June 2007	7.00	1,000,000	–	–	–	1,000,000	20 June 2007 – 19 June 2016
Dr. Thomas K. F. LEUNG	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Sub-total			1,500,000	–	–	–	1,500,000	
Employees (in aggregate)								
	20 June 2007	7.00	108,533,259	–	–	(4,690,980)	103,842,279	20 June 2009 – 19 June 2016
	1 August 2007	8.18	1,371,013	–	–	(64,180)	1,306,833	1 August 2009 – 31 July 2016
	2 October 2007	10.00	4,845,000	–	–	(2,125,000)	2,720,000	2 October 2009 – 1 October 2016
	1 November 2007	11.78	1,298,917	–	–	(8,611)	1,290,306	1 November 2009 – 31 October 2016
	3 December 2007	9.88	1,500,488	–	–	(151,820)	1,348,668	3 December 2009 – 2 December 2016
	2 January 2008	8.97	3,449,266	–	–	(44,593)	3,404,673	2 January 2010 – 1 January 2017
	1 February 2008	8.05	2,099,366	–	–	(291,923)	1,807,443	1 February 2010 – 31 January 2017
	3 March 2008	7.68	774,732	–	–	(19,531)	755,201	3 March 2010 – 2 March 2017
	2 May 2008	7.93	7,796,274	–	–	(312,102)	7,484,172	2 May 2010 – 1 May 2017
	2 June 2008	7.34	15,837,819	–	–	(551,766)	15,286,053	2 June 2010 – 1 June 2017
	2 July 2008	6.46	1,784,027	–	–	(108,357)	1,675,670	2 July 2010 – 1 July 2017
	3 November 2008	1.60	100,250,000	–	–	(10,609,375)	89,640,625	3 November 2010 – 2 November 2017
Sub-total			249,540,161	–	–	(18,978,238)	230,561,923	
Total			262,727,583	–	–	(19,184,320)	243,543,263	

Note:

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

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to reviewing its corporate governance practices from time to time to ensure they comply with the Code on Corporate Governance Practices (the "CG Code" contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) and align with the latest developments.

Model Code for Securities Transactions

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2009.

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

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

Board Composition

During the six months ended 30 June 2009, the majority of the members of the Board of Directors of the Company were Independent Non-executive Directors ("INEDs"). The Board is currently made up of 11 members in total, with four Executive Directors, one Non-executive Director and six INEDs.

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

Audit Committee

During the six months ended 30 June 2009, the Audit Committee consists of three members, namely Professor Gary C. BIDDLE ("Professor BIDDLE"), Dr. Edgar W. K. CHENG and Dr. Roger L. McCARTHY. All of them are INEDs. The chairman of the Audit Committee is Professor BIDDLE.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2009, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditors.

Remuneration Committee

During the six months ended 30 June 2009, the Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. Vincent H. S. LO ("Mr. LO") and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. FUNG.

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

CORPORATE GOVERNANCE (continued)

Compliance with Code on Corporate Governance Practices

During the six months ended 30 June 2009, the Company has complied with the code provisions of the CG Code except for the following deviation:

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. LO is the Chairman, CEO and the founder of the Company. The Board considers that vesting the roles of the Chairman and CEO in the same person is necessary because of the unique role and market importance of Mr. LO in the business development efforts of the Company. This vesting provides strong and consistent market leadership and is critical for efficient business planning and decisions of the Company in its current stage of development. Furthermore, all major decisions are made in consultation with members of the Board and appropriate board committees. There are six INEDs 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.

Other than the above, the Company has also established two more committees of the Board in furtherance of corporate governance practices during the six months ended 30 June 2009:

1. Nomination Committee

The Board established a Nomination Committee on 16 April 2009. The Nomination Committee was constituted in April 2009 with terms of reference in compliance with the recommended best practices of the CG Code. The Nomination Committee currently comprises three members, Mr. LO, Sir John R.H. BOND and Professor BIDDLE. Sir John R.H. BOND and Professor BIDDLE are INEDs. The Chairman of the Nomination Committee is Mr. LO.

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

2. Finance Committee

The Board also established a Finance Committee on 16 April 2009. The Finance Committee was also constituted in April 2009 with well defined terms of reference which stipulates and monitors financial strategies, policies and guidelines of the Group. The Finance Committee comprises seven members, Mr. LO, Sir John R.H. BOND, Dr. FUNG, Professor BIDDLE, Mr. Louis H.W.WONG, Mr. Aloysius T.S. LEE and Mr. Daniel Y.K.WAN. Sir John R.H. BOND, Dr. FUNG and Professor BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. LO.

Both detailed terms of reference of the Nomination Committee and the Finance Committee are posted in the "Corporate Governance" section of the Company's website, and are available for public inspection.

Awards on Corporate Governance

The Company was awarded as one of the ten "Outstanding China Property Companies 2009" organised by the Hong Kong Economic Digest, and also as one of the winners of the "5th Corporate Governance Asia Recognition Awards 2009" organised by Corporate Governance Asia.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2009.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

The Company has on 28 November 2006 entered into a guarantee (the "Guarantee") to guarantee the performance of its subsidiary, Chongqing Shui On Tiandi Property Development Co., Ltd. ("Chongqing Shui On"), under a 3-year loan facility of up to RMB300 million. The Guarantee requires that Mr. Vincent H. S. LO, the Chairman and Chief Executive Officer, has to remain as a controlling shareholder of the Company and that the Company has to maintain its indirect and beneficial ownership in Chongqing Shui On. Breach of such obligations will cause a default in respect of the loan.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2009, the number of employees in the Group was 1,429 (31 December 2008: 1,493); the headcount of the property management business acquired in 2008 was 1,000 (31 December 2008: 975). The Group provides a comprehensive benefit package for all employees as well as career development opportunities. Staff benefits include provident fund schemes, a share option scheme, medical insurance, in-house training, subsidies for job-related seminars, and programmes organised by professional bodies and educational institutes.

The Group strongly believes in the principle of equality of opportunity and of reward for all staff. The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competency displayed.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Vincent H. S. LO
(Chairman and Chief Executive Officer)
Mr. Louis H. W. WONG
(Managing Director – Project Management)
Mr. Aloysius T. S. LEE
(Managing Director – Commercial)

Mr. Daniel Y. K. WAN
(Managing Director and Chief Financial Officer)

Non-executive Director

The Honourable LEUNG Chun Ying

Independent Non-executive Directors

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

AUDIT COMMITTEE

Professor Gary C. BIDDLE *(Chairman)*
Dr. Edgar W. K. CHENG
Dr. Roger L. McCARTHY

REMUNERATION COMMITTEE

Dr. William K. L. FUNG *(Chairman)*
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

NOMINATION COMMITTEE

Mr. Vincent H. S. LO *(Chairman)*
Sir John R. H. BOND
Professor Gary C. BIDDLE

FINANCE COMMITTEE

Mr. Vincent H. S. LO *(Chairman)*
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Mr. Louis H. W. WONG
Mr. Aloysius T. S. LEE
Mr. Daniel Y. K. WAN

COMPANY SECRETARY

Mr. UY Kim Lun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Freshfields Bruckhaus Deringer
Mayer Brown JSM

REGISTERED OFFICE

Walker House, 87 Mary Street
George Town
Grand Cayman KY1-9002
Cayman Islands

CORPORATE HEADQUARTERS

26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021, PRC

PLACE OF BUSINESS IN HONG KONG

34/F, Shui On Centre
6-8 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P. O. Box 609, George Town
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
China Construction Bank Corporation
Deutsche Bank AG
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank Limited

STOCK CODE

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WEBSITE

www.shuionland.com

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