瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 272)

Announcement of 2008 Interim Results

For the six months ended 30 June 2008

HIGHLIGHTS

- Turnover reached RMB2,184 million or HK$2,381 million, slightly higher than that of the corresponding period in 2007 (2007: RMB2,178 million or HK$2,200 million).
- A total of 36,400 sq.m. of saleable GFA or 224 units were sold, giving rise to a turnover from property sales of RMB1,879 million (2007: 46,400 sq.m. or 263 units and property sales turnover of RMB1,943 million).
- Property investment turnover increased by 34% to RMB287 million (2007: RMB214 million). At 30 June 2008, the size of our investment property portfolio had increased to 262,000 sq.m. of leasable GFA (31 December 2007: 253,000 sq.m.).
- Profit attributable to shareholders was RMB1,778 million or HK$1,938 million, an increase of 62% over that of the corresponding period in 2007 (2007: RMB1,098 million or HK$1,109 million).
- Excluding the effect of revaluation of investment properties and fair value adjustment on derivative financial instruments, the underlying profit attributable to shareholders was RMB1,577 million or HK$1,719 million, an increase of 70% over that of the corresponding period in 2007 (2007: RMB930 million or HK$939 million).
- Earnings per share was RMB42 cents or HK46 cents (2007: RMB26 cents or HK26 cents), an increase of 62%.
- An interim dividend in respect of the six months ended 30 June 2008 of HK7 cents (2007: HK5 cents) per share has been declared.
- At 30 June 2008, the Group's total landbank amounted to approximately 13.2 million sq.m. of GFA (of which 9.8 million sq.m. are attributable to shareholders of the Company), comprising 8 projects that span over 6 cities, namely Shanghai, Hangzhou, Chongqing, Wuhan, Dalian and Foshan.
- Total assets increased to approximately RMB35.4 billion (31 December 2007: RMB29.9 billion).
- Total equity was RMB18.7 billion, of which RMB17.5 billion was attributable to shareholders of the Company (31 December 2007: total equity was RMB16.7 billion and RMB15.9 billion attributable).
- Net debt was RMB5,440 million (31 December 2007: RMB3,375 million). Net debt to total equity ratio ("net gearing ratio") increased to 29% as of 30 June 2008 (31 December 2007: 20%).

Note: Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1 to HK$1.09 for the first six months of 2008 and RMB1 to HK$1.01 for the corresponding period in 2007, being the average exchange rates that prevailed during the respective periods.

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2008

	Notes	**Unaudited six months ended 30 June 2008**		Unaudited six months ended 30 June 2007	
		HK$'million *(note 2)*	**RMB'million**	HK$'million *(note 2)*	RMB'million
Turnover	*4*	**2,381**	**2,184**	2,200	2,178
Cost of sales		**(860)**	**(789)**	(696)	(689)
Gross profit		**1,521**	**1,395**	1,504	1,489
Other income		**267**	**245**	129	128
Selling and marketing expenses		**(63)**	**(58)**	(49)	(48)
General and administrative expenses		**(385)**	**(353)**	(238)	(236)
Operating profit	*5*	**1,340**	**1,229**	1,346	1,333
Increase in fair value of investment properties		**322**	**296**	270	267
Gains on disposal and partial disposal of equity interests in subsidiaries		**940**	**862**	1	1
Share of results of associates		**38**	**35**	-	-
Finance costs, net of exchange gain	*6*	**194**	**178**	(81)	(80)
Profit before taxation		**2,834**	**2,600**	1,536	1,521
Taxation	*7*	**(820)**	**(752)**	(192)	(190)
Profit for the period		**2,014**	**1,848**	1,344	1,331
Attributable to:					
Shareholders of the Company		**1,938**	**1,778**	1,109	1,098
Minority interests		**76**	**70**	235	233
		2,014	**1,848**	1,344	1,331
Dividends	*8*				
Final dividend, paid		**407**	**373**	250	248
Interim dividend, declared		**293**	**257**	205	203
Earnings per share	*9*				
Basic		**HK46 cents**	**RMB42 cents**	HK26 cents	RMB26 cents
Diluted		**HK46 cents**	**RMB42 cents**	HK26 cents	RMB26 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As of 30 June 2008

	Notes	**Unaudited 30 June 2008 RMB' million**	Audited 31 December 2007 RMB' million
Non-current assets			
Investment properties		**8,359**	7,994
Property, plant and equipment		**352**	260
Prepaid lease payments		**5,917**	4,325
Properties under development		**2,132**	1,734
Interests in associates		**161**	85
Loans to associates		**1,412**	981
Accounts receivable	*10*	**309**	312
Derivative financial instruments designated as hedging instruments		**51**	-
Pledged bank deposits		**1,629**	237
Defined benefit assets		**5**	6
Deferred tax assets		**-**	89
		20,327	16,023
Current assets			
Properties under development for sale		**7,054**	6,281
Properties held for sale		**1,848**	325
Accounts receivable, deposits and prepayments	*10*	**1,933**	3,477
Loan receivable		**399**	240
Amounts due from associates		**459**	12
Amounts due from related parties		**75**	44
Amount due from a minority shareholder of a subsidiary		**6**	6
Early redemption rights on notes		**4**	11
Pledged bank deposits		**318**	617
Bank balances and cash		**2,931**	2,843
		15,027	13,856
Current liabilities			
Accounts payable, deposits received and accrued charges	*11*	**2,338**	1,768
Amounts due to related parties		**112**	39
Amounts due to minority shareholders of subsidiaries		**837**	876
Tax liabilities		**798**	1,541
Loan from a minority shareholder of a subsidiary		**196**	100
Notes - due within one year		**2,546**	2,667
Bank borrowings - due within one year		**1,143**	1,514
Derivative financial instruments designated as hedging instruments		**-**	323
		7,970	8,828
Net current assets		**7,057**	5,028
Total assets less current liabilities		**27,384**	21,051

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
As of 30 June 2008

	Unaudited 30 June 2008 RMB' million	Audited 31 December 2007 RMB' million
Capital and reserves		
Share capital	**84**	84
Reserves	**17,420**	15,794
Equity attributable to shareholders of the Company	**17,504**	15,878
Minority interests	**1,158**	828
Total equity	**18,662**	16,706
Non-current liabilities		
Loan from a minority shareholder of a subsidiary	**-**	93
Bank borrowings – due after one year	**6,629**	2,891
Deferred tax liabilities	**2,093**	1,361
	8,722	4,345
	27,384	21,051

Notes to the condensed consolidated financial statements:

1. General

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

The 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. Presentation

The comparative figures have been restated to conform to the current period's presentation as follows:

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

(ii) In September 2007, the Financial Reporting Standards Committee of the Hong Kong Institute of Certified Public Accountants issued a meeting summary in which the committee concluded that Land Appreciation Tax is a form of income tax and is within the scope of the accounting standard "Income Tax". Taking this into account, the Land Appreciation Tax has been reclassified from cost of sales to taxation in the condensed consolidated income statement.

The HK dollar figures presented in the condensed consolidated income statement are shown for reference only and have been arrived at based on the exchange rate of RMB1 to HK$1.09 for the first six months of 2008 and RMB1 to HK$1.01 for the corresponding period in 2007, being the average exchange rates that prevailed during the respective periods.

3. Principal accounting policies

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

The 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 2007, except as described below.

In the current interim period, the Group has applied, for the first time, the following new International Financial Reporting Interpretations Committee Interpretations ("IFRIC") issued by the IASB, which are effective for the Group's financial year beginning 1 January 2008.

IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new IFRICs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. Principal accounting policies (Continued)

The Group has not early applied the following new and revised International Financial Reporting Standards ("IFRS"), IAS or IFRIC that have been issued by the IASB but are not yet effective.

IFRSs (Amendments)	Improvements to IFRS[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing costs[2]
IAS 27 (Revised)	Consolidation and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39	Eligible Hedged items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendments)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 13	Customer Loyalty Programmes[4]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[5]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS5, which is effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group except for the adoption of IFRS 3 (Revised), IAS 27 (Revised) and IFRIC 15. The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. IFRIC 15 will affect the timing of the revenue recognition on the sales of properties until all the criteria in paragraph 14 of IAS 18 are satisfied.

4. Turnover and segmental information

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

	Six months ended 30 June	
	2008	2007
	RMB'million	RMB'million
Property development:		
Property sales	**1,879**	1,943
Property investment:		
Rental income from investment properties	**236**	180
Income from operations of service apartments	**13**	12
Property management fees	**14**	9
Rental related income	**24**	13
	287	214
Others	**18**	21
	2,184	2,178

Business segment

For management purposes, the Group's business activities are broadly categorised under two major business segments - property development and property investment. These segments are the bases on which the Group reports its primary segment information.

Principal activities are as follows:

Property development	-	development and sale of properties
Property investment	-	property letting, property management and operations of service apartments

4. Turnover and segmental information (Continued)

Business segment (Continued)

	Six months ended 30 June 2008			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
TURNOVER				
Segment sales	**1,879**	**287**	**18**	**2,184**
RESULTS				
Segment results	**1,136**	**493**	**4**	**1,633**
Interest income				**122**
Finance costs, net of exchange gain				**178**
Share of results of associates				**35**
Gain on partial disposal of equity interests in subsidiaries				**862**
Net unallocated expenses				**(230)**
Profit before taxation				**2,600**
Taxation				**(752)**
Profit for the period				**1,848**

	Six months ended 30 June 2007			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
TURNOVER				
Segment sales	1,943	214	21	2,178
RESULTS				
Segment results	1,272	476	12	1,760
Interest income				77
Finance costs, net of exchange gain				(80)
Gain on disposal of interests in subsidiaries				1
Net unallocated expenses				(237)
Profit before taxation				1,521
Taxation				(190)
Profit for the period				1,331

Geographical segment

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

5. Operating profit

Operating profit has been arrived at after charging/(crediting):	Six months ended 30 June **2008** **RMB'million**	 2007 RMB'million
Allowance for bad and doubtful debts	**2**	3
Depreciation of property, plant and equipment	**33**	13
Less: Amount capitalised to properties under development	**(1)**	(1)
	32	12
Release of prepaid lease payments	**71**	50
Less: Amount capitalised to properties under development	**(70)**	(49)
	1	1
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and allowances	**8**	16
Share-based payment expenses	**1**	7
	10	24
Other staff costs		
Salaries, bonuses and allowances	**163**	136
Retirement benefits costs	**11**	11
Share-based payment expenses	**18**	4
	192	151
Total employee benefits expenses	**202**	175
Less: Amount capitalised to properties under development	**(40)**	(41)
	162	134
Cost of properties sold recognised as an expense	**733**	654
Rental charges under operating leases	**20**	26
Interest income	**(122)**	(77)
Tax refunds from reinvestment of dividends and grants received from local governments	**(109)**	(42)

6. Finance costs, net of exchange gain

	Six months ended 30 June	
	2008	2007
	RMB'million	RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**188**	103
Interest on amount due to a minority shareholder of a subsidiary wholly repayable within five years	**2**	2
Imputed interest on loan from a minority shareholder of a subsidiary wholly repayable within five years	**4**	5
Interest on notes	**158**	164
Less: Net interest income from cross currency interest swap	**(25)**	(48)
Total interest costs	**327**	226
Less: Amount capitalised to properties under development	**(304)**	(177)
	23	49
Loss on change in fair value of early redemption rights on notes	**7**	14
Net exchange (gain) loss on financing activities	**(233)**	10
Other finance costs	**25**	7
	(178)	80

Borrowing cost capitalised during the six months ended 30 June 2008 arose on the general borrowing pool of the Group were calculated by applying an annual capitalisation rate of approximately 6% (six months ended 30 June 2007: 8%) to expenditure on the qualifying assets.

7. Taxation

	Six months ended 30 June	
	2008	2007
	RMB'million	RMB'million
		(Note 2)
PRC Enterprise Income Tax		
- Current taxation	**65**	50
Deferred taxation		
- Provision for the period	**190**	485
- Attributable to a change in tax rate of the PRC Enterprise Income Tax	**-**	(355)
	190	130
PRC Land Appreciation Tax	**497**	10
	752	190

7. Taxation (Continued)

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

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (2007: 33%) on the assessable profits of the companies in the Group during the period.

On 16 March 2007, the PRC Government promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which changed the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance as of 30 June 2007 has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The provision of 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 has revised the cost allocation of 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 filling, has resulted in a change in accounting estimates for the provision of Land Appreciation Tax and, accordingly, an additional provision of RMB270 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 RMB68 million has been made and credited to the condensed consolidated income statement for the same period.

8. Dividends

	Six months ended 30 June	
	2008	2007
	RMB'million	RMB'million
Final dividend paid	**373**	248
Interim dividend declared in respect of 2008 of HK7 cents (2007:HK5 cents) per share	**257**	203

In June 2008, a final dividend in respect of 2007 of HK10 cents (equivalent to RMB8.9 cents) per share was paid to the shareholders.

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

The Board has declared the payment of HK7 cents (equivalent to RMB6.1 cents) (2007: HK5 cents (equivalent to RMB4.8 cents)) per share as the interim dividend in respect of 2008.

9. Earnings per share

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

	Six months ended 30 June	
	2008	2007
Earnings	**RMB'million**	RMB'million
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	**1,778**	1,098

	Six months ended 30 June	
	2008	2007
Number of shares	**'million**	'million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**4,186**	4,185
Effect of dilutive potential shares:		
Share options issued by the Company (Note (a))	**7**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**4,193**	4,185

	2008	2007
Basic earnings per share (Note (b))	**RMB42 cents** **HK46 cents**	RMB26 cents HK26 cents
Diluted earnings per share (Note (b))	**RMB42 cents** **HK46 cents**	RMB26 cents HK26 cents

Note (a): Other than the share options granted on 20 June 2007 and 2 June 2008, there are no dilution effects for the share options granted as the exercise price of the share options granted were higher than the average market price for the period (2007: There were no dilution effects for the share options granted on 20 June 2007 as the exercise price of all the share options granted were higher than the average market price of the period).

Note (b): The HK dollar figures presented above are shown for reference only and have been arrived at based on the average exchange rate of RMB1 to HK$1.09 for the first six months of 2008 and RMB1 to HK$1.01 for the corresponding period in 2007.

10. Accounts receivable, deposits and prepayments

	30 June 2008 RMB'million	31 December 2007 RMB'million
Non-current accounts receivable comprise:		
Receivables from sales of properties	**271**	272
Deferred rental receivables	**38**	40
	309	312

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

	30 June 2008 RMB'million	31 December 2007 RMB'million
Not yet due	**765**	284
Within 30 days	**147**	4
31 - 60 days	**2**	23
61 - 90 days	**-**	1
Over 90 days	**2**	19
	916	331
Consideration receivable on partial disposals of equity interests in subsidiaries	**135**	1,136
Prepayments of relocation costs	**587**	558
Deposit for land acquisition	**-**	1,200
Other deposits, prepayments and receivables	**295**	252
	1,933	3,477

Trade receivables comprise:

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

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

11. Accounts payable, deposits received and accrued charges

	30 June 2008 RMB'million	31 December 2007 RMB'million
Trade payables aged analysis:		
Not yet due	**876**	495
Within 30 days	**2**	288
61 - 90 days	**-**	1
Over 90 days	**-**	1
	878	785
Retention payables (Note)	**82**	78
Deed tax, business tax and other tax payables	**619**	555
Deposits received and receipt in advance from property sales	**429**	39
Deposits received and receipt in advance in respect of rental of investment properties	**155**	142
Accrued charges	**175**	169
	2,338	1,768

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2008, the Group's turnover reached RMB2,184 million, slightly higher than that of the corresponding period in 2007 (2007: RMB2,178 million).

Turnover from sales of properties amounted to RMB1,879 million (2007: RMB1,943 million) and that from property investment was RMB287 million (2007: RMB214 million), with the latter accounting for an increased percentage at 13% of total turnover as compared to that of 2007 (2007: 10%).

The Group's profit attributable to shareholders of the Company for the period amounted to RMB1,778 million, an increase of 62% over the corresponding period in 2007 (2007: RMB1,098 million).

Excluding the effect of revaluation of investment properties and fair value adjustment on derivative financial instruments, the Group's underlying profit attributable to shareholders of the Company was RMB1,577 million, an increase of 70% as compared to that of the corresponding period in 2007 (2007: RMB930 million).

Property Sales

During the six months ended 30 June 2008, the Group sold a total of approximately 36,400 sq.m. of saleable GFA; giving rise to a turnover from property sales of RMB1,879 million (2007: 46,400 sq.m. and RMB1,943 million).

The property markets across the Chinese Mainland generally experienced a decline in the number of sales transactions during the six months ended 30 June 2008. Nevertheless, selling prices for high-end properties remained resilient in the cities in which we operate particularly Shanghai, Wuhan and Chongqing. The continued growth in China's gross domestic product, the continuing appreciation of the Renminbi, and the increase in the wealth of the public in general underpinned a strong and sustained demand for quality homes.

The third phase of our prestigious residential development in Shanghai Taipingqiao project, Lot 113 (Casa Lakeville), was launched for sale in early June 2008. Towers 1, 2 and 10 with a total of 241 units or 44,000 sq.m. were introduced to the market and 96 units or 18,000 sq.m. were sold within the first week of sales, achieving an average selling price of RMB86,000 per sq.m.. At 30 June 2008, 99 units or 19,200 sq.m. had formal sales and purchase agreements signed and have accordingly been recognised as sales turnover in the first half of 2008.

At Shanghai Knowledge and Innovation Community (Shanghai KIC) in Yangpu District, we continued to sell the inventories of Shanghai KIC Village R1 that were carried over from 2007. At 30 June 2008, 36 units or 5,300 sq.m., representing 7% of the total saleable GFA of Shanghai KIC Village R1 remained available. Average selling price in the six months ended 30 June 2008 reached RMB21,000 per sq.m.

Riding on the successful launch of the first phase of the residential development at Wuhan Tiandi project Lot A9 (The Riverview) in October 2007 when 187 units were sold in six hours, Lot A7 comprising 265 units or 39,000 sq.m. was introduced to the market for pre-sale in early May 2008. At 30 June 2008, approximately 70% of these units had been sold, achieving an average selling price of RMB14,500 per sq.m., a 7.4% increase over the selling price of those units at Lot A9 that were sold in 2007. Construction of these units is scheduled to be completed in the fourth quarter of 2008; hence, the related contracted sales have not been recognised as sales turnover in the six months ended 30 June 2008 but deferred to the second half of 2008 pending completion of construction.

Our Chongqing Tiandi project came out of its incubation period in 2008 when its first phase of residential development became available for sale. The first batch of 246 units or 30,500 sq.m. in Lot B1-1/01 (The Riviera), out of a total of 784 units or 107,000 sq.m., commenced pre-sale in April 2008. The launch was initially well received by the market, with the Group selling 71 units or 9,700 sq.m. at an average selling price of RMB11,000 per sq.m. However, sales understandably halted after the catastrophic earthquake that hit the Sichuan Province on 12 May 2008. Fortunately, our buildings and sites at Chongqing Tiandi suffered no damage and our operations were not affected but for the impeded sales. We are now improving the landscape and to enhance the environment of the entire development site, which stretches over 1.2 km., in preparation for a re-launch in the fourth quarter of 2008 after completion of the Olympic Games.

An analysis of the GFA sold and the average selling prices in the six months ended 30 June 2008 is set out below:

Project	Total GFA sold (sq.m.)	Average selling price (RMB/sq.m.)	Group's interest
Shanghai Taipingqiao, Lot 113 (Casa Lakeville)	19,200	86,000	99%
Shanghai KIC Village R1	7,100	21,000	86.8%*
Chongqing Tiandi, Lot B1-1/01 (The Riviera)	9,700	11,000**	79.4%
Others	400		
Total GFA (sq.m.)	36,400		

* *Agreement has been reached to increase the interest from 70% to 86.8%, subject to approval by the relevant PRC government authorities.*
** *The average selling price is quoted based on the net floor area which is the common practice in Chongqing's property market.*

Properties that are i) available for sale and pre-sale in 2008; ii) have been sold or sold subject to formal sale and purchase agreement as of 30 June 2008; and iii) available for sale and pre-sale in the second half of 2008 are shown as follows:

Residential Property	Available for sale and pre-sale in 2008 (sq.m.)	*(units)*	Sales as of 30 June 2008: Sold and formal sale and purchase agreement signed (sq.m.)	*(units)*	Sales as of 30 June 2008: Sold subject to formal sale and purchase agreement (sq.m.)	*(units)*	Available for sale and pre-sale in the second half of 2008 (sq.m.)	*(units)*
Shanghai Taipingqiao, Lot 113 (Casa Lakeville)	71,000	*434*	19,200	*99*	5,300	*27*	46,500	*308*
Shanghai Taipingqiao, Lot 114 (Lakeville Regency)	300	*2*	200	*1*	-	-	100	*1*
Shanghai Rui Hong Xin Cheng	100	*1*	100	*1*	-	-	-	-
Shanghai KIC Village R1	11,800	*82*	6,100	*43*	400	*3*	5,300	*36*
Shanghai KIC Village R2	30,400	*253*	-	-	-	-	30,400	*253*
Wuhan Tiandi, Lot A9 (The Riverview)	600	*3*	500	*2*	100	*1*	-	-
Wuhan Tiandi, Lot A7 (The Riverview)	39,000	*265*	27,000	*186*	-	-	12,000	*79*
Chongqing Tiandi, Lot B1-1/01 (The Riviera)	107,200	*784*	9,700	*71*	2,200	*16*	95,300	*697*
Total saleable GFA (sq.m.)	260,400	*1,824*	62,800	*403*	8,000	*47*	189,600	*1,374*
Add: GFA sold in 2007 with sale and purchase agreements signed in 2008, net of return			600	*7*				
Less: GFA sold in the first half of 2008 but construction not yet completed			(27,000)	*(186)*				
Total saleable GFA (sq.m.) sold and recognised as sales turnover			36,400	*224*				

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

Property Investments

Turnover from property investment in the six months ended 30 June 2008 amounted to RMB287 million, an increase of 34% over the corresponding period in 2007 (2007: RMB214 million).

At 30 June 2008, the Group's investment properties consisted of 262,000 sq.m. of leasable GFA, (31 December 2007: 253,000 sq.m.), of which approximately 45% was for office use and the 52% for retail use, and comprised:

	Leasable GFA (sq.m.)				
Project	Office	Retail	Hotel/ service apartment/ clubhouse	Total	Group's interest
Shanghai Xintiandi	5,000	46,000	6,000	57,000	97.0%
Shanghai Corporate Avenue	76,000	7,000	-	83,000	99.0%
Shanghai Rui Hong Xin Cheng, Phase 1 Commercial	-	5,000	-	5,000	75.0%
Shanghai Rui Hong Xin Cheng, Phase 2 Commercial	-	28,000	-	28,000	74.3%
Shanghai KIC Village R1	8,000	7,000	-	15,000	86.8%*
Shanghai KIC Plaza Phase 1	29,000	23,000	-	52,000	86.8%*
Hangzhou Xihu Tiandi, Phase 1	-	5,000	1,000	6,000	100.0%
Wuhan Tiandi, Commercial	-	16,000	-	16,000	75.0%
Total leasable GFA, 30 June 2008	118,000	137,000	7,000	262,000	
Total leasable GFA, 31 December 2007	118,000	128,000	7,000	253,000	

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

On the basis that development progress is in accordance with that described in the "Property Development" section below, the Group's portfolio of investment properties is expected to grow to 438,000 sq.m. of leasable GFA by the end of 2009, 935,000 sq.m. by the end of 2010, and 1,297,000 sq.m. by the end of 2011. In that event, the size of our investment property portfolio will be 1.7 times, 3.6 times and 5.0 times that of the size as of 30 June 2008 by the end of 2009, 2010 and 2011, respectively.

Shanghai Xintiandi and Shanghai Corporate Avenue continued to be virtually fully let with average rental rates in the period increasing by 13% and 8% over the full year average of 2007, respectively.

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

The occupancy rate of Phase 1 Commercial and Phase 2 Commercial of Shanghai Rui Hong Xin Cheng as of 30 June 2008 was 47% and 100%, respectively (31 December 2007: 99% for Phase 2 Commercial).

The office space in Shanghai KIC Village R1 and KIC Plaza Phase 1 was over 80% leased as of 30 June 2008. Occupancy rate of the retail space at Shanghai KIC Village R1 was lower than expected, at 36%, as it is believed that retail tenants wait for more residential occupants to move into the community before taking up tenancies.

Hangzhou Xihu Tiandi Phase 1 continued to be fully let.

At 30 June 2008, approximately 62% of the first phase of the retail space in Wuhan Tiandi at Lot A4-1with a leasable GFA of 16,000 sq.m. had been leased and a further 20% have tenancy agreements signed with leases to commence in the second half of 2008. Twenty shops have already opened for business and a further eight shops can be expected to open within a month's time.

Construction of the retail properties and service apartments at Lot B3/01 of Chongqing Tiandi, with an aggregate GFA of 55,000 sq.m., are progressing according to plan. These areas are expected to be completed towards the end of 2008 for handing over to tenants in 2009.

A comparison of the occupancy rates of the Group's investment properties at 30 June 2008 against those at 31 December 2007 is shown as follows:

	Occupancy rate	
Investment property	At 30 June 2008	At 31 December 2007
Shanghai Xintiandi	98%	97%
Shanghai Corporate Avenue	98%	94%
Shanghai Rui Hong Xin Cheng, Phase 1 Commercial	47%	N/A
Shanghai Rui Hong Xin Cheng, Phase 2 Commercial	100%	99%
Shanghai KIC Village R1 Office	76%	33%
Shanghai KIC Village R1 Retail	36%	N/A
Shanghai KIC Plaza Phase 1	95%	81%
Hangzhou Xihu Tiandi, Phase 1	100%	100%
Wuhan Tiandi, Commercial	62%	57%

Property development

Shanghai Taipingqiao:
Construction of towers 1, 2, 9 and 10 of the third phase of Lakeville at Lot 113 (Casa Lakeville) was completed before 30 June 2008, while the superstructure of towers 11 and 12 has been topped out. Internal and external finishing work is now in progress. The construction of the commercial complex, with five blocks of low-rise residential buildings sitting on top, has commenced.

For the fourth phase of Lakeville at Lot 116, preparation work for the submission of application for commencement of relocation is underway.

Relocation at Lots 126 and 127, on which 137,000 sq.m. of office and retail spaces are expected to be built, is continuing with approximately 71% and 62% of the households having been relocated, respectively, as of 30 June 2008.

Shanghai Rui Hong Xin Cheng:
Phase 3 of the development that comprises Lots 4, 6, and 8 is at the design stage with official project planning consent obtained in respect of Lot 8 in June 2008. The site at Lot 8 has been relocated and excavation work is in progress. Construction work at Lot 8 is scheduled to complete in 2009. Approximately 60% and 32% of the households on Lot 4 and Lot 6, respectively, had been relocated as of 30 June 2008. We expect to launch the pre-sale of the first batch of Phase 3 in 2009.

Shanghai Knowledge and Innovation Community:
Development works at Lots 7-7, 7-9 and 8-2 (KIC Village R2) with a planned GFA of 79,000 sq.m and KIC Plaza Phase 2 with a planned GFA of 45,000 sq.m are all progressing as planned. Consequently, construction and finishing works at Lots 7-9 and 8-2 have been completed. It is expected that the statutory inspection procedure will be completed towards the end of 2008 or early 2009. In addition, piling work at Lot 7-7 is underway.

Hangzhou Xihu Tiandi:
Relocation is in progress at Phase 2 of Xihu Tiandi with 82% of the households relocated as of 30 June 2008 and is targeted to complete before the end of the year. Construction is expected to commence in the fourth quarter of 2008 and is targeted to complete by end of 2010.

Chongqing Tiandi:
Construction of the first phase of the residential development, Lot B1-1/01 (The Riviera), comprising 784 units or 107,000 sq.m. of saleable GFA, was completed in June 2008. 246 units or 30,500 sq.m. were launched for pre-sale in April 2008.

Schematic design of Lot B2-1/01, which is the second phase of the residential development in this project with a planned GFA of 209,000 sq.m., received approval by the relevant authority and site formation is currently in progress. Construction of the superstructure at Lot B3/01 for commercial use is in progress and is expected to complete in early 2009.

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

Piling work and construction of the basements at Lots A6, A8 and A10 residential development with a planned GFA of 85,000 sq.m. have been completed. Construction of the superstructure is in progress.

Construction works at Lots A4-2 and A4-3, together providing a leaseable GFA of 31,200 sq.m. of retail space, are in progress.

DALIAN TIANDI.software hub:
Site formation work at Site C of the Huangnichuan Road North Area (otherwise referred to as W2-B, W3-A, and W3-B) is in progress. The design of software offices and engineer apartments has been submitted to the local planning bureau for approval.

Foshan Lingnan Tiandi:
The first phase of this project, comprising 52,000 sq.m. of planned GFA for hotel and retail use at Lot D; 68,000 sq.m. of planned GFA for Foshan Xintiandi at Lot 1; and 56,000 sq.m. of planned GFA for residential use at Lots 4 and 14 are all at the conceptual design stage. Site investigation work at Lot D was completed in June 2008, while architecture and structural survey on certain heritage buildings at Lot 1 is in progress.

During the six months ended 30 June 2008, the Group completed construction of the following saleable and leasable GFA:

	Saleable GFA (sq.m.)	Leasable GFA (sq.m.)
Shanghai Taipingqiao, Lot 113 (Casa Lakeville)	55,000	-
Chongqing Tiandi, LotB1-1/01 (The Riviera)	107,000	-
Wuhan Tiandi, Commercial	-	4,000
	162,000	4,000

Based on the latest assessment, the amounts of saleable GFA to be completed in the second half of 2008 (for sale and pre-sale, see page 16 and note below) and each of the next three years are set out as follows:

	Saleable GFA (sq.m.)				
Property development held for sale:	2H2008*	FY2009	FY2010	FY2011	Group's interest
Shanghai Taipingqiao, Lot 113 (Casa Lakeville)	-	17,000	8,000	-	99.0%
Shanghai Rui Hong Xin Cheng, Lots 4, 6, 8 (Phase 3)	-	94,000	-	126,000	74.3%
Shanghai KIC, Lots 7-7, 7-9, 8-2 (KIC Village R2)	-	53,000	-	-	86.8%**
Shanghai KIC, Lots 6-2, 6-3, 7-5, 7-6 (KIC Village R3)	-	-	76,000	-	86.8%**
Shanghai KIC, Lots 5-5, 5-7, 5-8 (KIC Plaza Phase 3)	-	-	47,000	-	86.8%**
Chongqing Tiandi, Lots B1-1/01, B2-1/01, B16/02 (The Riviera)	-	110,000	92,000	187,000	79.4%
Wuhan Tiandi, Lot A6, A7, A8, A10, A11, A12, B2, B9 (The Riverview)	39,000	85,000	50,000	150,000	75.0%
DALIAN TIANDI.software hub	-	-	100,000	150,000	48.0%
Foshan Lingnan Tiandi	-	-	15,000	94,000	100.0%
Total saleable GFA (sq.m.)	39,000	359,000	388,000	707,000	

* *The saleable area to be completed in the second half of 2008 have been included in the total amount of saleable GFA available for sale and presale in the second half of 2008, totalling 189,600 sq.m. as shown in the paragraph headed "Property Sales" above.*

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

Based on the latest assessment, the amounts of leasable GFA to be completed in the second half of 2008 and each of the next three years are set out as follows:

	Leasable GFA (sq.m.)				
Property development held for investment:	2H2008	FY2009	FY2010	FY2011	Group's interest
Shanghai Taipingqiao, Lot 113 (Casa Lakeville)	-	-	29,000	-	99.0%
Shanghai Taipingqiao, Lots 126, 127 (Corporate Avenue Phase 2)	-	-	-	137,000	99.0%
Shanghai Rui Hong Xin Cheng, Lots 4, 6, 8 (Phase 3)	-	2,000	-	13,000	74.3%
Shanghai KIC, Lots 7-7, 7-9, 8-2 (KIC Village R2)	-	26,000	-	-	86.8%*
Shanghai KIC, Lots 5-5, 5-7, 5-8 (KIC Plaza Phase 3)	-	-	3,000	-	86.8%*
Shanghai KIC, Plaza Phase 2	-	45,000	-	-	86.8%*
Hangzhou Xihu Tiandi, Phase 2	-	-	42,000	-	100.0%
Chongqing Tiandi, Lots B1-1/01, B2-1/01, B2-4/01, B3/01, B4-2/02, B14-1/02, B16/02	5,000	65,000	6,000	7,000	79.4%
Wuhan Tiandi, Lots A4-2, A4-3, A4-4, A5, A6	11,000	22,000	68,000	-	75.0%
DALIAN TIANDI.software hub	-	-	250,000	150,000	48.0%
Foshan Lingnan Tiandi	-	-	99,000	55,000	100.0%
Total leasable GFA (sq.m.)	16,000	160,000	497,000	362,000	
Analysed by usage:					
Office	-	59,000	184,000	232,000	
Retail	16,000	84,000	179,000	125,000	
Hotel/service apartment/clubhouse	-	17,000	134,000	5,000	
	16,000	160,000	497,000	362,000	

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

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

Landbank

At 30 June 2008, Shui On Land had a landbank of 13.2 million sq.m. (of which 9.8 million sq.m. are attributable to shareholders of the Company), which consisted of eight development projects spanning over six cities, namely Shanghai, Hangzhou, Chongqing, Wuhan, Dalian and Foshan.

In March 2008, the DALIAN TIANDI.software hub joint venture won the bid for three more plots of land at Huangnichuan Road North with a total GFA of approximately 394,000 sq.m. Accordingly, the joint venture has successfully acquired all the land development rights at Huangnichuan Road North as planned in the control specific master plan, totaling approximately 1.77 million sq.m. The Hekou Bay site in Dalian comprising approximately 1.19 million sq.m. of GFA is expected to be the subject of public bidding in the second half of 2008. It is the intention of the joint venture to bid for the Hekou Bay site as well as the other 16 plots of land with a total GFA of 588,000 sq.m. Acquisition of these lands will be by way of competitive bidding and there is no assurance that the joint venture will be successful in acquiring them. The Group has a 48% interest in this joint venture development project.

Agreement has been reached, subject to government approvals, 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.

During the six months ended 30 June 2008, the Group continued its discussions with the municipal city governments of four cities of Yunnan Province pursuant to memoranda of understanding signed during 2006 and 2007 for the proposed development of integrated tourism resorts in these cities. The location of these proposed developments and the proposed size of each project are as follows:

- Dali: North Area, Hai Dong New District, Dali (大理市海東新區北片區), has a proposed GFA of approximately 2.5 million sq.m.;

- Diqing (Shangri-la): Ming Jun Area, Xiao Zhong Dian Town, Shangri-la County, Diqing (迪慶州香格里拉縣小中甸明峻地區), has a proposed GFA of approximately 0.8 million sq.m.;

- Lijiang: La Shi Hai Pian Area, Yulong County, Lijiang City (麗江市玉龍縣拉市海片區), has a proposed GFA of approximately 0.8 million sq.m.; and

- Kunming: Northern Caohai District adjacent to the famous Dianchi Lake in Kunming City (昆明市滇池縣草海北部片區) which has a proposed GFA of approximately 2.5 million sq.m.

The abovementioned memoranda of understanding signed with the four municipal city governments of Yunnan Province are all legally non-binding in nature. The final project sizes are subject to further discussions. If everything goes according to plan, these four proposed development projects would add a total of approximately 6.6 million sq.m. of GFA to the Group's total landbank.

The Group's total landbank position as of 30 June 2008, together with that of its associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ service apartment/ clubhouse (sq.m.)	Carpark and other public facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Completed properties held for investment:								
See section headed "Property Investments" above for details	118,000	137,000	-	7,000	-	262,000	various	238,000
Completed properties held for operation:								
Shanghai Taipingqiao, Lots 114 and 117 clubhouses	-	-	-	10,000	-	10,000	various	9,000
Shanghai Rui Hong Xin Cheng, Phase 1 and 2 clubhouses	-	-	-	8,000	-	8,000	various	6,000
Wuhan Tiandi, Lot A9 clubhouse	-	-	-	1,000	-	1,000	75.0%	1,000
Chongqing Tiandi, Lot B1-1/01 clubhouse	-	-	-	3,000	-	3,000	79.4%	3,000
Completed properties held for sale:								
Shanghai Taipingqiao, Lot 113	-	-	36,000	-	-	36,000	99.0%	36,000
Shanghai Knowledge and Innovation Community, R1	-	-	5,000	-	-	5,000	86.8%**	5,000
Chongqing Tiandi, Lot B1-1/01	-	-	97,000	-	-	97,000	79.4%	77,000
Others	-	-	1,000	-	-	1,000	various	1,000
Subtotal	118,000	137,000	139,000	29,000	-	423,000		376,000
Properties under development:								
Shanghai Taipingqiao	102,000	65,000	25,000	3,000	194,000	389,000	99.0%	385,000
Shanghai Rui Hong Xin Cheng	-	14,000	221,000	6,000	55,000	296,000	74.3%	220,000
Shanghai Knowledge and Innovation Community	75,000	12,000	37,000	3,000	97,000	224,000	86.8%**	194,000
Hangzhou Xihu Tiandi	-	42,000	-	-	26,000	68,000	100.0%	68,000
Chongqing Tiandi	-	46,000	202,000	17,000	120,000	385,000	79.4%	306,000
Wuhan Tiandi	1,000	30,000	124,000	11,000	101,000	267,000	75.0%	200,000
DALIAN TIANDI.software hub	230,000	65,000	100,000	-	-	395,000	48.0%	190,000
Foshan Lingnan Tiandi	-	72,000	-	48,000	-	120,000	100.0%	120,000
Subtotal	408,000	346,000	709,000	88,000	593,000	2,144,000		1,683,000
Properties held for future development:								
Shanghai Taipingqiao	174,000	118,000	256,000	38,000	72,000	658,000	99.0%*	608,000
Shanghai Rui Hong Xin Cheng	85,000	83,000	639,000	-	12,000	819,000	74.3%	608,000
Shanghai Knowledge and Innovation Community	107,000	3,000	105,000	43,000	37,000	295,000	86.8%**	256,000
Chongqing Tiandi	806,000	387,000	1,165,000	112,000	599,000	3,069,000	79.4%	2,437,000
Wuhan Tiandi	322,000	206,000	600,000	62,000	44,000	1,234,000	75.0%	925,000
DALIAN TIANDI.software hub	1,312,000	597,000	1,010,000	42,000	185,000	3,146,000	48.0%***	1,510,000
Foshan Lingnan Tiandi	450,000	118,000	691,000	80,000	42,000	1,381,000	100.0%	1,381,000
Subtotal	3,256,000	1,512,000	4,466,000	377,000	991,000	10,602,000		7,725,000
Total landbank GFA (sq.m.)	3,782,000	1,995,000	5,314,000	494,000	1,584,000	13,169,000		9,784,000

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

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

*** *DALIAN TIANDI.software hub comprises 23 plots of land with an expected GFA totalling approximately 3,541,000 sq.m. planned for development in phases over a period of eight to ten years. It is the intention of the joint venture companies to acquire all 23 plots of land. At 30 June 2008, 5 plots of land of approximately 1,765,000 sq.m. of GFA have been acquired with legally binding contracts signed. Acquisition of the remaining 18 plots of land of approximately 1,776,000 sq.m. of GFA will be by way of competitive bidding and there is no assurance that the joint venture companies will be successful in acquiring these lands.*

Accelerate Growth through Strategic Partnerships

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

On 30 June 2008, the Group completed the sale of a 25% interest in our Shanghai Rui Hong Xin Cheng development project to Winnington Capital Limited ("WCL") for a consideration of RMB1,125 million, giving rise to a gain on disposal of RMB862 million, which has been included as income by the Group in its results for the six months ended 30 June 2008. Furthermore, as part of the same transaction, WCL has been granted an option to acquire a further 24% interest for an additional consideration of RMB1,134 million in the same project. The option is exercisable by WCL during the period from 1 December 2008 to 31 December 2008. If the option is exercised, it would give rise to a further gain of RMB865 million, which is to be reported as income by the Group upon completion of the exercise of such an option.

The Group further strengthened the strategic partnership by selling a 25% equity interest in Rightchina Limited, a 80.2% held indirect subsidiary that owns the development right of the super high rise office towers at our Chongqing Tiandi project ("Chongqing Super High Rise"), to WCL for a consideration of RMB1,021 million on 21 August 2008. Subject to review by the auditors of the Company, it is expected to record a gain of approximately RMB800 million upon completion of the transaction which is scheduled to take place in the second half of 2008. Additionally, WCL has been granted an option, exercisable between 1 December 2008 to 31 December 2008, to acquire a further 25% equity interest in Rightchina Limited in relation to Chongqing Super High Rise for an additional consideration of RMB1,072 million. If the option is exercised, it would give rise to a further gain of RMB840 million, which is to be reported as income by the Group upon completion of the exercise of such an option.

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

Market Outlook

2008 is proving to be a challenging year. The sub-prime mortgage crisis and the subsequent credit crunch, and their severe impact on the financial markets and growth of the global economy, have become the centre of attention in the world's markets. In the Chinese Mainland, there are growing concerns about inflation and the effect of the slowdown of the global economy on the country's export industry. The austerity measures, including tightened bank lending and restrictions on remitting foreign capital into the Chinese Mainland, have had an effect on the property industry as evidenced by price adjustments in certain cities in South China. They have also resulted in fewer land purchases by developers so far this year as compared to 2007. In our view, this is likely to create tight housing supply in the short-term, especially in city centres, lending support to our city-core development projects. Overall, the outlook for the rest of the year remains more difficult to foresee than usual in the current environment.

In July 2008, the PRC Government declared that economic policy should now be aimed at maintaining steady economic development and stabilising basic prices, all of which is welcomed by Shui On Land. In the longer term, increasing urbanisation and an affluent population aspiring to a higher quality of life will continue to drive growth in the property industry. For this reason, we remain optimistic about the Chinese Mainland's property market and believe that China's economic growth momentum will be sufficient for the Group to undertake successfully all of our property development projects.

We continue to seek out opportunities to enter into strategic partnerships with investors to sell our interests in selected projects to accelerate returns from the projects, release the capital that can be invested in other projects, help the Group to diversify its risks, enhance the Group's cashflow and allow the Group access to certain expertise and know how that the partners possess and are beneficial to the future development of the Groups' projects. Details of the gains on the various partial disposals of equity interests in subsidiaries are all contained in the paragraph above headed "Accelerated Growth through Strategic Partnerships". As mentioned in that paragraph, such strategic partnerships (on completion) may render an aggregate consideration of RMB4,352 million (if the relevant option referred to in that paragraph is exercised), giving rise to an aggregate gain of RMB3,367 million, of which RMB1,125 million of consideration and RMB862 million of gain have been included by the Group in its results for the six months ended 30 June 2008.

In the second half of 2008, we will continue the sale of Casa Lakeville at Shanghai Taipingqiao. The buyers are expected to comprise mainly overseas buyers and/or their families who have relocated to Shanghai to work and need to fulfil their housing needs. We believe the quality and design of our projects, combined with the master-planned community in Taipingqiao, will enable us to deliver good value to our buyers. Furthermore, it is expected that the two world-class hotels located at the edge of Shanghai Xintiandi, which are to be operated by Conrad Shanghai and Jumeriah Hantang Xintiandi, will start operations by the end of 2008 or early 2009. Although not part of Shui On Land, we believe these hotels and their guests will enhance the vibrancy of Shanghai Xintiandi and its vicinity.

The Sichuan earthquake affected market sentiment and buyers' interest at our project in Chongqing, in particularly since it occurred just at the start of the traditional peak season for property sales in May. The huge need to rebuild public buildings and residential properties affected by the earthquake in Sichuan, together with the relevant government's supportive measures, will underpin recovery of the province's property market in the medium term. The quake has inevitably aroused investors' and occupiers' concerns about building safety and building quality. This concern will, we believe, serve to enhance our competitive edge as a quality developer.

Our Chongqing Riviera project is expected to be re-launched in the fourth quarter of 2008. It has just emerged from incubation in 2008 hence is not expected to be a major profit contributor in this year. We believe that Chongqing, as a municipal province, is poised for rapid expansion in the near future. Its location in the emerging western China market, its alignment to the PRC Government's 'Go West" policy, and its competitive labour cost structure will all make it very attractive to foreign companies. This is evidenced by the tremendous growth of 270% year on year in foreign investments in Chongqing to US$1,602 million during the first half of 2008. Accordingly, we believe our Chongqing project is well positioned to be integrated with and become a new part of one of Chongqing's most successful business districts.

We believe that the sale of the remaining units in Wuhan Riverview Phase 2 and Yangpu Knowledge and Innovation Community will all continue according to plan in the second half of 2008.

We continue to be one of the leading property developers with the necessary experience in managing large-scale, complex, long-term projects in the Chinese Mainland. We hold a quality portfolio of properties that we have developed as strategic, long-term investments. We are one of the leading Chinese Mainland's most innovative and visionary property developers. We are further expanding our business model from comprehensive city-core integrated projects to include knowledge communities (in Dalian) and expect to include tourism-facilitated developments (in Yunnan) as we continue to see huge growth potential in China's information technology and tourism sectors. We believe long term that the prospects and future success of the projects undertaken by Shui On Land are all excellent. We will continue to pursue our aspiration to be the premier innovative property developer in the Chinese Mainland, the most exciting property market in the world.

Financial Review

Turnover for the six months ended 30 June 2008 reached RMB2,184 million, slightly higher than that of the corresponding period in 2007 (2007: RMB2,178 million).

Property sales turnover for the six months ended 30 June 2008 amounted to RMB1,879 million (2007: RMB1,943 million). A total of approximately 36,400 sq.m. of saleable GFA were sold and recognised as sales turnover in the period under review (2007: 46,400 sq.m) with Shanghai Taipingqiao, Lot 113 (Casa Lakeville) being the key contributor to both turnover and gross profit for the period, accounting for 72% and 74%, respectively.

Property investment turnover increased by 34% to RMB287 million (2007: RMB214 million), benefitting from increases in the average rental rates in Shanghai Xintiandi and Shanghai Corporate Avenue as well as increases in occupancy rates at Shanghai Knowledge and Innovation Community and Wuhan Tiandi as many of the new tenants commenced their leases towards the end of 2007.

Gross profit for the six months ended 30 June 2008 was RMB1,395 million (2007: RMB1,489 million) and the gross margin was 64% (2007: 68%). The slightly reduced gross margin in the first half of 2008 compared to that of the corresponding period in 2007 was due mainly to a slightly lower gross margin from the sales of Shanghai Taipingqiao, Lot 113 (Casa Lakeville) in 2008 against the comparatively higher gross margin from the sales of Shanghai Taipingqiao, Lot 114 (Lakeville Regency) in 2007, both of which were the key contributors to gross profit for the respective periods.

Other income increased by 92% to RMB245 million (2007: RMB128 million) largely attributable to tax refunds from reinvestment of dividends and grants received from certain local government authorities totalling RMB109 million.

Selling and marketing expenses increased by 21% to RMB58 million (2007: RMB48 million) due mainly to higher expenses incurred in launching and promoting the sale of the Shanghai Taipingqiao, Lot 113 (Casa Lakeville) and Chongqing Tiandi residential development at Lot B1-1/01 (The Riviera) in the first half of 2008.

In the six months ended 2008, *general and administrative expenses* increased by 50% to RMB353 million (2007: RMB236 million) due to higher employee benefits expenses and a higher level of professional and consulting fees that were required for the Group's business expansion during the period. The increase in employee benefits expenses included share compensation costs of RMB19 million (2007: RMB11 million) in respect of share options granted to staff so far and the effect of an increase in the number of average headcount to 1,248 for the six months ended June 2008 (2007: 1,048).

Operating profit decreased by 8% to RMB1,229 million (2007: RMB1,333 million) due to the various items referred to above.

Increase in fair value of investment properties gave rise to a gain of RMB296 million for the six months ended 30 June 2008 (2007: RMB267 million).

Details of the *gains on partial disposal of equity interests in subsidiaries* are all contained in the paragraph headed "Accelerate Growth through Strategic Partnerships" in the Business Review Section referred to above.

Finance costs, net of exchange gain amounted to a net income of RMB178 million (2007: net cost of RMB80 million), which comprised mainly interest expenses of RMB327 million (2007: RMB226 million) less amount capitalised to properties under development of RMB304 million (2007: RMB177 million). The increase in interest expenses was mainly the result of a higher level of bank borrowings, which at 30 June 2008 amounted to RMB7,772 million (31 December 2007: RMB4,405 million). However, the increase in the interest expenses was more than compensated for by an exchange gain of RMB233 million (2007: exchange loss of RMB10 million) arising from the appreciation of RMB against HKD and USD in relation to the Group's bank borrowings that are denominated in HKD or USD.

Profit before taxation increased by 71% to RMB2,600 million (2007: RMB1,521 million) as a result of the various items described above.

Taxation was RMB752 million (effective tax rate: 29%) for the six months ended June 2008 as compared to RMB190 million (effective tax rate of 12%) for the corresponding period in 2007. The significant increase in the effective tax rate was due largely to the PRC Land Appreciation Tax of RMB497 million (2007: RMB10 million), which included additional provision of RMB270 million that has been made and charged against income of 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 local tax bureau in the recent income tax filling.

Furthermore, the lower effective tax rate in the six months ended 30 June 2007 reflected a non-recurring deferred tax credit adjustment of RMB355 million booked in that period. As a result of the enactment in March 2007 of the new Corporate Income Tax Law of the PRC, enterprises are subjected to a uniform income tax rate of 25% with effect from 1 January 2008. To reflect this change in the tax rate from 33% to 25%, the carrying value of the deferred tax liabilities as of 30 June 2007 was written down by RMB355 million and credited to the income statement for the six months then ended.

Profit attributable to shareholders of the Company for the six months ended 30 June 2008 was RMB1,778 million, an increase of 62% over the corresponding period in 2007 (2007: RMB1,098 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		
	2008	2007	%
	RMB'million	RMB'million	change
Profit attributable to shareholders of the Company	**1,778**	1,098	+62%
Revaluation increase on investment properties (net of deferred tax effect and share of minority interest)	**(208)**	(182)	
Loss on change in fair value of derivative financial instruments	**7**	14	
Profit attributable to shareholders of the Company before (i) revaluation of investment properties; and (ii) fair value adjustment on derivative financial instruments	**1,577**	930	+70%

Earnings per share were RMB42 cents or HK46 cents calculated based on a weighted average of approximately 4,186 million shares in issue during the period (2007: RMB26 cents or HK26 cents based on 4,185 million shares in issue).

Capital Structure, Gearing Ratio and Funding

At 30 June 2008, the Group's utilised project loans, mortgage loans and senior notes amounted to approximately RMB10,318 million (31 December 2007: RMB7,072 million), of which RMB7,244 million were secured debts and RMB3,074 million were unsecured debts (31 December 2007: RMB3,843 million and RMB3,229 million, respectively).

The structure of the Group's borrowings as of 30 June 2008 is summarised below:

	Currency denomination	*Total (in RMB equiv) RMB'million*	*Due within one year RMB'million*	*Due more than one year but not exceeding two years RMB'million*	*Due more than two years but not exceeding five years RMB'million*	*Due more than five years RMB'million*
Bank loans	RMB	2,264	570	814	555	325
	HKD	5,508	573	908	4,027	-
Notes	USD	2,546	2,546	-	-	-
Total		10,318	3,689	1,722	4,582	325

Total cash and bank deposits amounted to RMB4,878 million as of 30 June 2008 (31 December 2007: RMB3,697 million), which included RMB1,947 million (31 December 2007: RMB854 million) of deposits pledged to banks. The increase in our cash balance was due mainly to proceeds from property sales and from the proceeds received from transfers of equity interests to strategic partners, partially offset by investment payments for DALIAN TIANDI.software hub and payments of land costs for Foshan Tiandi.

At 30 June 2008, the Group's net debt balance was RMB5,440 million (31 December 2007: RMB3,375 million) and its total equity was RMB18,662 million (31 December 2007: RMB16,706 million). Accordingly, the Group's net gearing ratio was approximately 29% as of 30 June 2008 (31 December 2007: 20%), calculated on the basis of dividing the excess of the sum of bank loans and notes payable over the sum of bank balances and cash by total equity.

The Group's rental income during the six months ended 30 June 2008 expressed as a percentage of the Group's total interest costs before capitalisation to property under development was approximately 72% (2007: approximately 80%).

Total assets of the Group amounted to RMB35.4 billion (31 December 2007: RMB29.9 billion). The Group's secured debts to total assets ratio as of 30 June 2008 was 20% (31 December 2007: 13%). The total assets have not reflected the increase in the valuation of our landbank with the exception of investment properties that are being carried at independent valuations. During 2006, 2007 and the first half of 2008, the Group has sold equity interests in certain of our projects to strategic partners. In 2006, a 19.8% interest in Chongqing Tiandi was sold which resulted in a gain of RMB582 million. In 2007, a 25% interest in Wuhan Tiandi and a 49% interest in Lot 116 of Shanghai Taipingqiao were sold, giving rise to a gain of RMB480 million and RMB364 million, respectively. In the first half of 2008, the sale of a 25% interest in Shanghai Rui Hong Xin Cheng has resulted in a gain of RMB862 million. The contracted sale of a 25% equity interest in Rightchina Limited in relation to Chongqing Super High Rise in the second half of 2008 is expected to give rise to a gain of RMB800 million. All of these transactions were based on arm's length negotiations and, therefore, reflect the valuations ascribed to between a willing buyer and a willing seller. If we adjust the valuation of our landbank as of 30 June 2008 to that of the transacted values of each of these projects, the Group's adjusted total assets would have increased to RMB46.3 billion; and the ratio of secured debts to adjusted total assets would have been reduced to 16% as of 30 June 2008.

Total undrawn banking facilities available to the Group were approximately RMB622 million as of 30 June 2008 (31 December 2007: RMB1,718 million). Subsequent to 30 June 2008, additional banking facilities of approximately RMB376 million have been arranged. The Group is actively pursuing refinancing of its US$375 million Notes. The Group has not finally determined the most optimal form of the proposed refinancing. Subject to market conditions, and as and when the Group has finally determined the most optimal course of action to effect the proposed refinancing on a timely fashion, an announcement will be made in compliance with its obligations under the Listing Rules. We will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet our funding requirements.

Pledged Assets

At 30 June 2008, the Group had pledged land use rights, completed properties for investment and sale, properties under development and bank and cash balances totaling RMB12,752 million (31 December 2007: RMB11,663 million) to secure our borrowings of RMB7,244 million (31 December 2007: RMB3,843 million).

Capital and Other Development Related Commitments

At 30 June 2008, the Group had contracted commitments for capital expenditure in the amount of RMB5,102 million (31 December 2007: RMB5,065 million) primarily for land and construction payments.

In addition, the Group entered into a Confirmation Agreement with the Land Exchange Centre confirming the Group's successful bid for a plot of land in Foshan. Under this Confirmation Agreement, a total consideration for acquiring the land use rights of the land is RMB7,510 million, against which RMB2,656 million has been paid to the Land Exchange Centre up to 30 June 2008; the remaining balance of RMB4,854 million will be paid in stages in line with the relocation progress of the land, which is expected to be completed by or around 2010.

The Group has agreed to provide further funding to the associates formed for the development of DALIAN TIANDI.software hub project, whereby the Group ultimately holds a 48% effective interest. As of 30 June 2008, the Group had commitment to provide further funding to the associates amounting to approximately RMB412 million (31 December 2007: nil).

The Group has also committed to building certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in the area. At 30 June 2008, the Group had not entered into any construction contracts relating to such educational facilities.

Future Plans for Material Investments and Sources of Funding

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

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

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

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

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

Cashflow Management and Liquidity Risk

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

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

Interest Rate and Exchange Rate Risks

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

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

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

DIVIDENDS

The Board has declared an interim dividend of HK7 cents (2007: HK5 cents) per share to shareholders whose names appear on the Company's register of members on 22 October 2008. The interim dividend will be paid on 30 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 October 2008 to 22 October 2008, 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 by registration not later than 4:30 p.m. on 15 October 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2008.

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.

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 2008.

To comply with the code provision A.5.4 of the CG Code, the Company established and adopted in March 2007 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 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 of these written guidelines by the relevant employees was noted by the Company.

Board Composition

During the six months ended 30 June 2008, the majority of the members of the Board were Independent Non-executive Directors ("INEDs"). The Board is currently made up of nine members in total, with two 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 2008, 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 2008, 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 2008, 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.

Compliance with Code on Corporate Governance Practices

During the six months ended 30 June 2008, 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 performed the following in furtherance to those corporate governance principles and practices as set out under the CG Code during the six months ended 30 June 2008:

To enhance the communications with shareholders in the Company's annual general meetings, with effect from the Annual General Meeting held on 5 June 2008, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Previous meetings were conducted in English with Cantonese interpretation. Most of the Directors were present at the Annual General Meeting and the meeting has provided a useful forum to exchange views with the Board.

To further enhance and provide more direct communications with the Company's shareholders, a "Networking with Shareholders" session was conducted immediately after the Annual General Meeting held on 5 June 2008. During the session, shareholders were provided a chance to discuss with senior management of the Company on a face-to-face dialogue. This session was well attended by shareholders. There were sharing of the latest business initiatives and long-term development strategy of the Company and answering of shareholders' questions.

In January 2008, the Company has officially distributed its Code of Conduct and Business Ethics (the "Code") to all of its staff for their acknowledgement. The Code also constitutes a standard agreement term with the Company's agents, representatives, consultants, contractors, sub-contractors, business partners, resellers, sales and marketing agents, and suppliers. The Code now serves as guidelines for Directors and staff on how to deal with conflicts of interest situations, business activities and relationship, and financial dealings.

Awards on Corporate Governance

The Company was awarded as one of the ten "Outstanding China Property Companies 2008" organised by the Hong Kong Economic Digest, and also as one of the winners of the "4th Corporate Governance Asia Recognition Awards 2008" organised by Corporate Governance Asia.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2008, the number of employees in the Group was 1,312 (31 December 2007: 1,182). Employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits include provident fund schemes, share option scheme, medical insurance, in-house training and subsidies for job-related seminars, and programs organised by professional bodies and educational institutes. As of 30 June 2008, approximately 168 million share options (31 December 2007: approximately 150 million share options) are outstanding under the Share Option Scheme which was adopted by the Company in June 2007.

The Company strongly believes in the principle of equality of opportunity and reward for staff. The remuneration policy is embracing the value of diversity of workforce and encouraging all staff to use their skills, knowledge and creativity to achieve excellence.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures stated in RMB in respect of the Group's condensed consolidated balance sheet as of 30 June 2008, and the condensed consolidated income statement and the related notes thereto for the period then ended as set out in the preliminary announcement have been extracted from the Group's unaudited condensed consolidated financial statements for the period, which has been reviewed by the Group's auditor Messrs. Deloitte Touche Tohmatsu 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.

APPRECIATION

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

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

Hong Kong, 22 August 2008

** For identification purposes only*

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman and Chief Executive Officer) and Mr. William T. ADDISON; the non-executive director of the Company is The Honourable LEUNG Chun Ying; and the independent non-executive directors of the Company are Sir John R. H. BOND, Dr. Edgar W. K. CHENG, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW.