瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 272)

Announcement of 2011 Interim Results

HIGHLIGHTS

- Contracted sales for the first half of 2011 increased by 240% to RMB 5,270 million. Total gross floor area ("GFA") sold increased by 102% to 206,600 sq.m.
- Achieved 53% of 2011 contracted sales target.
- As of 30 June 2011, total lock-in sales (including Dalian associates) to be delivered in the second half of 2011 and beyond was RMB6,707 million for a total GFA of 323,300 sq.m.
- Turnover of the Group was RMB1,788 million, consisting of RMB1,356 million of property sales and rental and other related income of RMB432 million. This represented a 43% decrease in turnover, which was largely attributable to a 51% decrease in recognised property sales in the first half of 2011. The Group expects most of its sold and pre-sold properties, including properties located in Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng, Wuhai Tiandi, Chongqing Tiandi and Foshan Lingnan Tiandi, will be delivered progressively in the second half of 2011, which is in line with its construction schedule.
- During the first half of 2011, the contracted sales average selling price ("ASP") rose in the range of 26% to 78% year on year (26% in Shanghai Taipingqiao, 26% Shanghai Rui Hong Xin Cheng, 36% Chongqing Tiandi and 78% Wuhan Tiandi respectively).
- Rental income and other related income increased by 26% to RMB432 million.
- Gross profit margin increased by 5 percentage points to 46%.
- Fair value gain of investment properties was RMB661 million.
- Profit attributable to shareholders declined by 50% to RMB784 million.
- Basic earnings per share was RMB0.15 per share.
- The Board of Directors declared an interim dividend of HK$0.025 per share.
- Cash and bank balances stood at RMB7,334 million, with net gearing ratio of 65%.

Website: www.shuionland.com

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 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30 June 2011 (Unaudited)**		Six months ended 30 June 2010 (Unaudited)	
		HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Turnover					
- The Group		**2,132**	**1,788**	3,558	3,121
- Share of associates		**175**	**147**	-	-
		2,307	**1,935**	3,558	3,121
Turnover of the Group	*4*	**2,132**	**1,788**	3,558	3,121
Cost of sales		**(1,146)**	**(961)**	(2,108)	(1,849)
Gross profit		**986**	**827**	1,450	1,272
Other income		**180**	**151**	99	87
Selling and marketing expenses		**(81)**	**(68)**	(68)	(60)
General and administrative expenses		**(347)**	**(291)**	(314)	(275)
Operating profit	*5*	**738**	**619**	1,167	1,024
Increase in fair value of investment properties		**788**	**661**	1,666	1,461
Gain on disposals of investment properties		**-**	**-**	26	23
Share of results of associates		**116**	**97**	78	68
Finance costs, net of exchange gain	*6*	**(61)**	**(51)**	(41)	(36)
Profit before taxation		**1,581**	**1,326**	2,896	2,540
Taxation	*7*	**(533)**	**(447)**	(949)	(832)
Profit for the period		**1,048**	**879**	1,947	1,708
Attributable to:					
Shareholders of the Company		**935**	**784**	1,775	1,557
Non-controlling interests		**113**	**95**	172	151
		1,048	**879**	1,947	1,708
Earnings per share	*9*				
Basic		**HK$0.18**	**RMB0.15**	HK$0.35	RMB0.31
Diluted		**HK$0.16**	**RMB0.13**	HK$0.35	RMB0.31

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2011 (Unaudited)		Six months ended 30 June 2010 (Unaudited)	
	HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Profit for the period	**1,048**	**879**	1,947	1,708
Other comprehensive income (expense)				
Exchange difference arising on translation of foreign operations	**2**	**2**	1	1
Fair value adjustments on interest rate swaps designated in cash flow hedges	**4**	**3**	(45)	(39)
Other comprehensive income (expense) for the period	**6**	**5**	(44)	(38)
Total comprehensive income for the period	**1,054**	**884**	1,903	1,670
Total comprehensive income attributable to:				
Shareholders of the Company	**941**	**789**	1,731	1,519
Non-controlling interests	**113**	**95**	172	151
	1,054	**884**	1,903	1,670

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2011 RMB'million (Unaudited)**	31 December 2010 RMB'million (Audited)
Non-current assets			
Investment properties		**32,622**	26,893
Property, plant and equipment		**557**	540
Prepaid lease payments		**73**	73
Interests in associates		**1,017**	920
Loans to associates		**1,379**	1,270
Accounts receivable	*10*	**56**	64
Pledged bank deposits		**2,916**	1,569
Deferred tax assets		**164**	162
		38,784	31,491
Current assets			
Properties under development for sale		**16,944**	14,308
Properties held for sale		**504**	627
Accounts receivable, deposits and prepayments	*10*	**3,984**	3,604
Loans receivable		**147**	597
Amounts due from associates		**334**	318
Amounts due from related companies		**50**	49
Amounts due from non-controlling shareholders of subsidiaries		**50**	38
Pledged bank deposits		**366**	316
Bank balances and cash		**4,052**	4,905
		26,431	24,762
Current liabilities			
Accounts payable, deposits received and accrued charges	*11*	**7,300**	4,987
Amounts due to related companies		**178**	95
Amounts due to associates		**16**	29
Amounts due to non-controlling shareholders of subsidiaries		**329**	462
Loan from a non-controlling shareholder of a subsidiary		**-**	300
Tax liabilities		**1,080**	1,230
Bank borrowings – due within one year		**5,705**	1,644
		14,608	8,747
Net current assets		**11,823**	16,015
Total assets less current liabilities		**50,607**	47,506

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**30 June 2011 RMB'million (Unaudited)**	31 December 2010 RMB'million (Audited)
Capital and reserves			
Share capital	*12*	**102**	102
Reserves		**25,206**	24,718
Equity attributable to shareholders of the Company		**25,308**	24,820
Non-controlling interests		**1,050**	1,208
Total equity		**26,358**	26,028
Non-current liabilities			
Bank and other borrowings – due after one year		**10,097**	11,539
Convertible bonds		**2,170**	2,117
Notes		**6,503**	2,945
Derivative financial instruments designated as hedging instruments		**215**	218
Loans from non-controlling shareholders of subsidiaries		**2,018**	1,653
Deferred tax liabilities		**3,241**	3,001
Defined benefit liabilities		**5**	5
		24,249	21,478
Total equity and non-current liabilities		**50,607**	47,506

Notes to the condensed consolidated financial statements:

1. General

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 34 "Interim Financial Reporting" ("IAS 34").

2. Presentation

The Hong Kong dollar figures presented in the condensed consolidated income statement and condensed consolidated statement of comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.192 for the six months ended 30 June 2011 and RMB1.000 to HK$1.140 for the six months ended 30 June 2010, being the average exchange rates that prevailed during the respective periods.

3. Application of new and revised International Financial Reporting Standards

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards and interpretations ("new and revised IFRSs):

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new and revised standards and interpretations that have been issued but are not yet effective. The following new or revised standards and interpretations have been issued and are not yet effective:

IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interest in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2012

3. Application of new and revised International Financial Reporting Standards (Continued)

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

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors of the Company anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of this new Standard will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. The Directors of the Company are in the process of assessing the financial impact.

Other than above, the Directors of the Company anticipate that the application of these new and revised standards and interpretations will have no material impact on the results and the financial position of the Group.

4. Turnover and segmental information

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

	Six months ended 30 June (Unaudited)			
	2011			2010
	Group RMB'million	Share of associates RMB'million	Total RMB'million	Group and total RMB'million
Property development:				
Property sales	**1,356**	**144**	**1,500**	2,778
Property investment:				
Rental income from investment properties	**354**	**3**	**357**	269
Income from serviced apartments	**7**	**-**	**7**	12
Property management fee income	**19**	**-**	**19**	16
Rental related income	**25**	**-**	**25**	29
	405	**3**	**408**	326
Others	**27**	**-**	**27**	17
Total	**1,788**	**147**	**1,935**	3,121

For management purposes, the Group is organised based on the business activities of the Group, which are broadly categorised into property development and property investment.

Principal activities of the two major reportable and operating segments are as follows:

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

4. Turnover and segmental information (Continued)

	Six months ended 30 June 2011 (unaudited)			
	Property development RMB'million	**Property investment RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
SEGMENT REVENUE				
Turnover of the Group	**1,356**	**405**	**27**	**1,788**
Share of turnover of associates	**144**	**3**	**-**	**147**
Total	**1,500**	**408**	**27**	**1,935**
RESULTS				
Segment results of the Group	**446**	**913**	**21**	**1,380**
Share of results of associates	**19**	**78**	**-**	**97**
Total	**465**	**991**	**21**	**1,477**
Interest income				**74**
Finance costs, net of exchange gain				**(51)**
Net unallocated expenses				**(174)**
Profit before taxation				**1,326**
Taxation				**(447)**
Profit for the period				**879**

	Six months ended 30 June 2010 (unaudited)			
	Property development RMB'million	**Property investment RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
SEGMENT REVENUE				
Turnover of the Group	2,778	326	17	3,121
RESULTS				
Segment results of the Group	898	1,698	10	2,606
Share of results of associates	-	68	-	68
Total	898	1,766	10	2,674
Interest income				69
Finance costs, net of exchange gain				(36)
Net unallocated expenses				(167)
Profit before taxation				2,540
Taxation				(832)
Profit for the period				1,708

Segment revenue represents the Group’s revenue and revenue of associates attributable to the Group from sales of properties, rental and related income, income from serviced apartments, property management fee income, food and beverage income for the period.

5. Operating profit

	Six months ended 30 June	
	2011	2010
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Operating profit has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	**-**	4
Depreciation of property, plant and equipment	**31**	29
Release of prepaid lease payments	**1**	1
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and allowances	**11**	19
Retirement benefits costs	**2**	-
Share-based payment expenses	**1**	1
	15	21
Other staff costs		
Salaries, bonuses and allowances	**195**	174
Retirement benefits costs	**10**	12
Share-based payment expenses	**12**	16
	217	202
Total employee benefits expenses	**232**	223
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(52)**	(51)
	180	172
Cost of properties sold recognised as an expense	**846**	1,761
Rental charges under operating leases	**20**	19
Interest income	**(74)**	(69)

6. Finance costs, net of exchange gain

	Six months ended 30 June	
	2011	2010
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	**378**	248
Interest on amounts due to non-controlling shareholders of subsidiaries wholly repayable within five years	**-**	4
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years	**78**	64
Interest on convertible bonds	**114**	-
Interest on notes	**232**	-
Add: Net interest expense from interest rate swaps designated as cash flow hedge	**71**	66
Total interest costs	**873**	382
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(746)**	(356)
Interest expense charged to condensed consolidated income statement	**127**	26
Net exchange gain on bank borrowings and other financing activities	**(103)**	(48)
Others	**27**	58
	51	36

Borrowing costs capitalised during the six months ended 30 June 2011 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 7.3% (six months ended 30 June 2010: 6.6%) per annum to expenditure on the qualifying assets.

7. Taxation

	Six months ended 30 June	
	2011	2010
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax	**116**	152
Deferred taxation	**241**	480
PRC Land Appreciation Tax	**90**	200
	447	832

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% (six months ended 30 June 2010: 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.

8. Dividends

	Six months ended 30 June	
	2011	2010
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
2010 Final dividend approved and paid (2010: 2009 final dividend paid)	**220**	530
Interim dividend declared in respect of 2011 of HK$0.025 (2010: HK$0.06) per share	**107**	270

Subsequent to the end of the interim period, the Board has declared the payment of HK$0.025 (equivalent to RMB0.021) (2010: HK$0.06 (equivalent to RMB0.053)) per share as the interim dividend in respect of 2011.

A final dividend in respect of 2010 of HK$0.05 (equivalent to RMB0.042) per share was approved by the shareholders of the Company at the annual general meeting on 19 May 2011 and was paid to the shareholders of the Company in June 2011.

In November 2010, an interim dividend in respect of 2010 of HK$0.06 (equivalent to RMB0.053) per share was paid to the shareholders. The 2010 interim dividend was paid in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their interim dividend in new, fully paid shares in lieu of all or part of cash. 71.7% of the shareholdings elected to receive shares in lieu of cash dividends at HK$3.84 per share and accordingly, 57,753,920 new and fully paid shares were issued. These new shares rank pari passu to the existing shares of the Company.

In May 2010, a final dividend in respect of 2009 of HK$0.12 (equivalent to RMB0.11) per share was approved by the shareholders of the Company at the annual general meeting on 27 May 2010. The 2009 final dividend was paid in July 2010 in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash. 69.0% of the shareholdings elected to receive shares in lieu of cash dividends at HK$3.168 per share and accordingly, 131,177,173 new and fully paid shares were issued. These new shares rank pari passu to the existing shares of the Company.

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	
	2011	2010
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Earnings		
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	**784**	1,557

	Six months ended 30 June	
	2011	2010
	'million	'million
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,212**	5,023
Effect of dilutive potential shares:		
Convertible bonds	**662**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,874**	5,023

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Basic earnings per share *(Note (b))*	**RMB0.15** **HK$0.18**	RMB0.31 HK$0.35
Diluted earnings per share *(Note (b))*	**RMB0.13** **HK$0.16**	RMB0.31 HK$0.35

Notes:

(a) There were no dilution effects for share options granted as the exercise prices of these share options granted were higher than the average market price for the six months ended 30 June 2011 and 30 June 2010.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.192 for the six months ended 30 June 2011 and RMB1.000 to HK$1.140 for the six months ended 30 June 2010, being the average exchange rates that prevailed during the respective periods.

10. Accounts receivable, deposits and prepayments

	30 June 2011 RMB'million (Unaudited)	31 December 2010 RMB'million (Audited)
Non-current accounts receivable comprised of:		
Deferred rental receivables	**56**	64
Current accounts receivable comprised of:		
Trade receivables (net of allowance for bad and doubtful debts) with aging analysis (based on the repayment terms set out in the sales and purchase agreements or debit notes to the tenants):		
Not yet due	**321**	122
Past due within 30 days	**39**	20
Past due 31 - 60 days	**20**	1
Past due 61 - 90 days	**1**	-
Past due over 90 days	**4**	3
	385	146
Prepayments of relocation costs *(Note)*	**3,210**	1,304
Deposit for land acquisition	**-**	1,838
Other deposits, prepayments and receivables	**389**	316
	3,984	3,604

Trade receivables comprised of:

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

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

Note:

The balance represents the amounts that will be capitalised to properties under development for sale 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.

11. Accounts payable, deposits received and accrued charges

	30 June 2011 RMB'million (Unaudited)	31 December 2010 RMB'million (Audited)
Trade payables with aging analysis (based on invoice date):		
0 - 60 days	**1,537**	1,751
61 - 90 days	**1**	1
Over 90 days	**40**	13
	1,578	1,765
Retention payables *(Note)*	**209**	169
Deed tax, business tax and other tax payables	**379**	481
Deposits received and receipt in advance from property sales	**4,451**	2,074
Deposits received and receipt in advance in respect of rental of investment properties	**250**	242
Accrued charges	**433**	256
	7,300	4,987

Note:

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

12. 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 2010 and 30 June 2010	12,000,000,000	30,000	5,022,656,888	12,556
At 1 January 2011 and 30 June 2011	**12,000,000,000**	**30,000**	**5,211,587,981**	**13,029**

	30 June 2011 RMB'million (Unaudited)	31 December 2010 RMB'million (Audited)
Shown in the condensed consolidated statement of financial position as	**102**	102

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Executive Summary

Three-Year Plan to Expedite Development of the Projects

2011 is the 10th Anniversary of Shanghai Xintiandi. It is also the year for Shui On Land to delineate the role of the Chairman to focus more on the Group's macro policy and the CEO on business operations. Together with the "Three-Year Plan" to expedite the Company's asset churn, we believe 2011 will be a breakthrough year in Shui On Land's development history.

Riding on the success of Shanghai Xintiandi, the Group has been developing our unique "Tiandi" model in the cities of Wuhan, Chongqing, Foshan and Dalian.

During the years 2005-2009, we had expanded into Wuhan, Chongqing, Foshan and Dalian by acquiring a total GFA of over 9 million sq.m. In almost all of our projects, we have completed the initial project development phase by establishing the infrastructure and its respective amenities. We believe we are now entering the harvest time with increasing property sales and delivery in the years ahead.

In the middle course of our Three-Year Plan which started in 2010, we are delighted to report a few key achievements which well demonstrate our strong execution ability.

Property Sales

We have achieved 53% of our 2011 contracted sales target announced at the beginning of this year. Contracted sales for the first half of 2011 reached RMB5,270 million, comprising properties sales of RMB4,268 million, disposal of investment properties of RMB39 million and en-bloc commercial property sales of RMB963 million, an increase of 240% year on year in terms of sales value. The total GFA sold was 206,600 sq.m., increased by 102% year on year. Contracted sales ASP (including Dalian associates) reached RMB25,500 per sq.m, up 68% year on year. The increase was because our products were well received by the market and also due to the change in product mix.

As of 30 June 2011, total lock-in sales for delivery in the second half of 2011 and beyond reached RMB6,707 million (including Dalian associates of RMB345 million) with GFA of 323,300 sq.m. (including Dalian associates of 27,800 sq.m.). Lock-in sales ASP was RMB20,700 per sq.m.

For the first half of 2011, the Group recorded a 43% decrease in turnover to RMB 1,788 million, as compared against RMB3,121 million in the corresponding period of 2010. The decrease was mainly attributable to fewer properties being delivered by the Group of 54,800 sq.m. of GFA, versus 135,800 sq.m. in the first half of last year. The reduction in property delivery was largely due to the global economic downturn in 2008 which led the Group to slow down its development pace. With the recovery of the economy in the mid of 2009, construction works were subsequently resumed at an accelerated pace in the second half of 2009 with delivery target in the latter part of 2011.

Recognised ASP for the six months ended 30 June 2011 increased to RMB26,000 per sq.m. from RMB21,500 per sq.m. in the corresponding period of 2010.

Recognised property sales for the period was RMB1,356 million, accounting for 76% of the total turnover. Rental and other related income from investment properties reached RMB432 million, thus accounting for the remaining 24%.

Investment Properties

Rental and other related income from the completed investment property portfolio increased by 26% to RMB432 million in the first six months of 2011. The increase was mainly due to the additional rental income stream from the completion of 136,000 sq.m. new investment properties in 2010. The Group expects that rental income will further increase as the tenant mix and rental income further stabilises. As of 30 June 2011, the Group's investment property portfolio stood at 439,000 sq.m. (excluding Dalian Tiandi which rental income was reflected as share of results from associates).

The Group recorded a fair value gain of RMB661 million from its investment property portfolio not only due to the rise in market value of its existing properties, but also from the accelerated construction of investment properties under development.

As of 30 June 2011, the carrying book value of the Group's investment property portfolio was RMB32,622 million. The completed investment properties were stated at fair value of RMB14,508 million. Investment properties under development with carrying amount stated at fair value of RMB7,839 million are scheduled for delivery in the second half of 2011 and beyond. The remainder was land at the planning stage and were stated at cost of RMB10,275 million.

Sales Plan in the Second Half of 2011

The Group expects to have 331,600 sq.m. of residential GFA available for sale and pre-sale and expect the major contributors to come from Chongqing Tiandi, Foshan Lingnan Tiandi and Dalian Tiandi. In addition, en-bloc sales for a total GFA of 191,000 sq.m. of office and retail space in Shanghai KIC, Chongqing Tiandi and Foshan Lingnan Tiandi are currently under negotiation.

Land Banking and Relocation

The Group has been focusing in land banking and site clearance in Shanghai in 2010 and 2011. We acquired The Hub-Hongqiao Tiandi and Shanghai KIC North Parcel of Land in 2010 through public land auction for a total leasable and saleable GFA of 438,000 sq.m. for an aggregate consideration of RMB4,452 million. In addition, having acquired the development right of the adjacent sites Lots 167A and 167B, we have expanded for another 230,000 sq.m. of leasable and saleable GFA to transform Rui Hong Xin Cheng to a mixed use project which will become a mega city centre comprising high rise residential buildings, commercial shopping complexes, offices and schools. With the acquisition, we strategically make the development connected not only to Metro No. 4 but also Metro No. 10, thus providing better transportation network to the neighbourhood. We believe such strategic acquisitions will en-large the scale of the development and allow us to reposition the project for maximising return on the land and create additional shareholders' value.

The first half of 2011 was a milestone in the relocation and site clearance of our Shanghai Rui Hong Xin Cheng and Taipingqiao. Lots 2, 3, 9 and 10 of Shanghai Rui Hong Xin Cheng and Stage 1 of Lot 116 of Shanghai Taipingqiao commenced the process of relocation in 2009 and 2010 under the new relocation scheme. Over 600,000 sq.m. of GFA were under relocation. So far, the relocation progress is on the right track. We have completed two rounds of public consultations for relocation and over 70% of the households had signed relocation agreements. The sites are planned to be developed into residential, shopping centres and office towers.

The sites on Lot 6 of Shanghai Rui Hong Xin Cheng for residential and retail use and Lot 126 of Shanghai Taipingqiao for grade A office and retail use have been nearly cleared and handed over to us. Construction works were commenced in June 2011. They are in the pipeline for contributing property sales and rental income in 2012 and 2013.

As of 30 June 2011, the Group had a total of 4.4 million sq.m. GFA of properties under development, which are scheduled for completion over the following years. In addition, the Group had a total of 6.5 million sq.m. GFA of properties held for future development.

Property Sales

Recognised Property Sales

The table below summarises the recognised property sales by projects for the first half of 2011 and 2010:

Project	Six months ended 30 June 2011 Sales revenue	GFA sold and devlivered	ASP	Six months ended 30 June 2010 Sales revenue	GFA sold and devlivered	ASP	ASP Growth Rate
	RMB million	sq.m.	RMB per sq.m.	RMB million	sq.m.	RMB per sq.m.	%
Shanghai Taipingqiao	423	3,100	143,600	324	3,900	87,400	64%
Shanghai Rui Hong Xin Cheng	5	200	29,200	821	31,200	27,700	5%
Shanghai Knowledge and Innovation Community ("KIC")	36	1,900	20,500	717	30,700	24,600	-17%
Wuhan Tiandi[1]	46	1,200	40,400	759	55,700	14,300	183%
Chongqing Tiandi[2]	94	9,700	12,800	112	14,300	10,300	24%
Foshan Lingnan Tiandi	696	40,600	18,000	-	-	-	
Subtotal	1,300	56,700	25,200	2,733	135,800	21,200	19%
Carparks and others	92	-		45	-		
Dalian Tiandi[3]	301	17,100	18,500	-	-	-	
Grand Total	**1,693**	**73,800**	**24,100**	**2,778**	**135,800**	**21,500**	**12%**
Recognised as:							
- property sales in turnover of the Group	1,356	54,800	26,000	2,778	135,800	21,500	21%
- disposals of investment properties	36	1,900	20,500	-	-	-	
- share of turnover of associates[3] ***(48%)***	144			-			

1 ASP of Wuhan Tiandi included a mixed of sales of retail shops area and residential of phase 2.
2 ASP of Chongqing is based on net floor area, a common market practice in the region.
3 Dalian Tiandi is a project developed by associates of the Group. Sales of Dalian Tiandi will not be consolidated as revenue of the Group. Instead, the share of results of Dalian Tiandi are incorporated in the Group's consolidated income statement as "share of results of associates" using the equity method of accounting.

Contracted Sales

A total GFA of 206,600 sq.m. of properties were sold or pre-sold during the first half of 2011, amounting to RMB5,270 million. ASP (including Dalian associates) increased to RMB25,500 per sq.m. from RMB15,200 per sq.m. The table below summarises the contracted sales by projects and the respective ASP growth rate for the first half of 2011 and 2010:

Project	Six months ended 30 June 2011 Contracted amount	GFA sold	ASP	Six months ended 30 June 2010 Contracted amount	GFA sold	ASP	ASP Growth Rate
	RMB million	sq.m.	RMB per sq.m.	RMB million	sq.m.	RMB per sq.m.	%
Shanghai Taipingqiao	498	3,500	142,300	214	1,900	113,000	26%
Shanghai Rui Hong Xin Cheng	1,269	32,000	39,700	9	300	31,600	26%
Shanghai KIC	39	1,900	20,500	204	8,200	24,800	-17%
Wuhan Tiandi	1,197	35,800	33,400	510	27,200	18,800	78%
Chongqing Tiandi[1]	467	37,700	15,100	575	64,500	11,100	36%
Foshan Lingnan Tiandi	474	13,000	36,500	-	-	-	
Subtotal	**3,944**	**123,900**	**31,800**	**1,512**	**102,100**	**14,800**	115%
En-bloc sales - Wuhan Tiandi	963	58,800	16,400	-	-	-	
Carparks and others	69	-		37	-		
Group Total	**4,976**	**182,700**	**27,200**	**1,549**	**102,100**	**15,200**	79%
Dalian Tiandi[2]	294	23,900	12,300	-	-	-	
Grand Total	**5,270**	**206,600**	**25,500**	**1,549**	**102,100**	**15,200**	68%

1 *ASP of Chongqing is based on net floor area, a common market practice in the region.*

2 *Dalian Tiandi is a project developed by associates of the Group. Sales of Dalian Tiandi will not be consolidated as revenue of the Group. Instead, the share of results of Dalian Tiandi are incorporated in the Group's consolidated income statement as "share of results of associates" using the equity method of accounting.*

Property sales in most cities slowed down in the first quarter as a result of the implementation of the Home Purchase Restriction and credit tightening by the PRC Central Government as part of its continual efforts to curb the overheating real estate sector. Despite the above, the Group continues to see solid demand from end-users for the uniqueness of our products on account of the location and large scale, mixed-use community developments in Shanghai Casa Lakeville, Shanghai Rui Hong Xin Cheng, Wuhan Tiandi, Chongqing Tiandi and Foshan Lingnan Tiandi where we held new launches in the first half of 2011.

The following sections provide detailed sales performance and price analysis of the projects.

Shanghai Taipingqiao – Casa Lakeville - "The Manor"

The contracted sales of Taipingqiao were RMB498 million for a GFA of 3,500 sq.m. during the first half of 2011. ASP reached RMB142,300 per sq.m. As of 30 June 2011, there were only 8 units or 3,500 sq.m. left available in The Manor. Due to the scarcity of super luxurious homes in the city centre of Shanghai, it is the Group's strategy to progressively release these units to maximize returns.

Shanghai Rui Hong Xin Cheng (also referred to as "Rainbow City")

Towers 1 and 2 of Phase 4 (Lot 4) were launched in mid-April 2011 for pre-sale and have received good market response. 276 out of 326 units were pre-sold up to 30 June 2011. Despite slightly inferior view as compared to Towers 5 and 6, the ASP of Towers 1 and 2 slightly increased to RMB40,000 per sq.m., from RMB38,500 per sq.m. of previous launch in late December 2010. Phase 5 (Lot 6), with a total residential GFA of 116,000 sq.m., is planned for pre-sale in 2012 and 2013 in phases.

Shanghai KIC
A total GFA of 1,900 sq.m. of office units were sold for total proceeds of RMB39 million.

Wuhan Tiandi
The pre-sale of The Riverview Phase 3 luxurious residences, featuring top grade amenities with comprehensive services, was well received by the market. A total of RMB1,197 million in contracted sales in Wuhan Tiandi project was achieved at an ASP of RMB33,400 per sq.m., representing an increase of 78% year on year. The selling prices of residential units at Wuhan Tiandi continue to rank amongst one of the highest in the city.

As part of the Three-Year Plan to increase asset churn, the Group has entered into a pre-sale contract with Ping An Life Insurance Company of China, Ltd. (“Ping An”) in the first half of 2011 for an en-bloc sale of Corporate Centre No. 5 (Lot A5), at Wuhan Tiandi for a total consideration of RMB963 million. The office tower is an international grade A office building, with a total GFA of 57,000 sq.m., with a retail space of 2,000 sq.m. and carparks. Ping An intends to retain a few floors for its own use and lease out the remaining areas. Having Ping An, one of the biggest renowned financial institutions in China, as the new landlord, we believe that the building will further attract quality tenants in the area and will make contributions to our project. The transaction will not only enlarge tenant base as well as the residential and retail demand at Wuhan Tiandi, but also free up capital and increase the asset churn of commercial development of the Group. Superstructure works of Corporate Centre No. 5 were completed in April 2011, and delivery is scheduled to be in the fourth quarter of this year.

*Chongqing Tiandi**
In the first half of 2011, contracted sales of Chongqing Tiandi came mainly from garden view apartments launched at Phase 2 and Phase 3, with a total sales amounting to RMB467 million. ASP of Phase 2 and Phase 3 reached RMB15,500 per sq.m. and RMB14,800 per sq.m., respectively. In the second half of 2011, our objective is to launch product sizes ranging from 63 sq.m. to 209 sq.m., with river or garden-view. ASP ranges from RMB12,000 per sq.m. to RMB20,000 per sq.m.

* *ASP of Chongqing is based on net floor area, a common market practice in the region.*

Foshan Lingnan Tiandi
Contracted sales of Foshan Lingnan Tiandi during the first half of 2011 was RMB474 million. The townhouses of The Legendary Phase 1 (Lot 14) were launched for pre-sale in mid-February 2011. 32 out of 38 units have been contracted for sale with an ASP of RMB39,900 per sq.m. up to 30 June 2011. The low-rise apartments of The Regency Phase 1 (Lot 4) were completed and delivered in the first half of 2011. The Regency Phase 2 (Lot 5) and Legendary Phase 2 (Lot 15) are scheduled to be launched for pre-sale in the second half of 2011 and during 2012 in phases.

Dalian Tiandi
A total contracted amount of RMB294 million was achieved from pre-sale of townhouses and apartments in Greenville Phase 1 at an ASP of RMB12,300 per sq.m. More townhouses and apartments are expected to be launched for pre-sale in latter part of 2011. A portion of Phase 1 of Greenville was delivered to customers during the first half of 2011. Property sales of Dalian Tiandi was reflected in the share of results of associates.

Investment Properties for Recurring Rental Income and Asset Appreciation

Completed Investment Properties

Rental and other related income from investment properties increased by 26% to RMB432 million in the first half of 2011. The increase was mainly due to the additions of 136,000 sq.m. of newly completed investment properties in 2010, namely Shanghai Xintiandi Style, Shanghai KIC Plaza Phase 2 and Chongqing Tiandi (Upper and Lower Village and Main Building). It is anticipated that the rental income will further increase after the initial run in stage of the underlying properties. With more investment properties to be completed and open for business, further increase in rental income is anticipated in the years ahead. Rental income generated from Dalian Tiandi (42,000 sq.m.) was reflected as share of results of associates.

As of 30 June 2011, our portfolio of investment properties was 439,000 sq.m (excluding Dalian Tiandi), of which approximately 39% was office space and 60% retail space. 334,000 sq.m. or geographically 76% of the completed investment properties were being located in Shanghai.

The table below summarises the portfolio of completed investment properties together with their respective occupancy rates:

	Leasable GFA (sq.m.)				Occupancy rate			
Project	**Office**	**Retail**	**Serviced apartments**	**Total**	**30 June 2011**	**31 December 2010**	**31 December 2009**	**Group's interest**
Shanghai Taipingqiao								
Shanghai Xintiandi	5,000	47,000	5,000	57,000	100%	93%	100%	97.0%
Shanghai Xintiandi Style	-	27,000	-	27,000	98%	89%	N/A	99.0%
Shanghai Corporate Avenue	76,000	7,000	-	83,000	100%	99%	96%	99.0%
Sub-total	81,000	81,000	5,000	167,000				
Shanghai Rui Hong Xin Cheng								
Phases 1,2,3 Commercial areas	-	35,000	-	35,000	95%	94%	100%	74.3%[1]
Sub-total	-	35,000	-	35,000				
Shanghai KIC								
KIC Village R1 and R2	22,000	11,000	-	33,000	65%	39%	37%	86.8%
KIC Plaza Phase 1	29,000	21,000	-	50,000	78%	81%	83%	86.8%
KIC Plaza Phase 2	39,000	10,000	-	49,000	39%	17%	N/A	86.8%
Sub-total	90,000	42,000	-	132,000				
Hangzhou Xihu Tiandi								
Phase 1	-	6,000	-	6,000	99%	100%	100%	100.0%
Sub-total	-	6,000	-	6,000				
Wuhan Tiandi								
Wuhan Tiandi (Lot A4-1)	-	16,000	-	16,000	99%	94%	92%	75.0%
Wuhan Tiandi (Lots A4-2 and 3)	-	30,000	-	30,000	80%	70%	60%	75.0%
Sub-total	-	46,000	-	46,000				
Chongqing Tiandi								
The Riviera Phase 1	-	2,000	-	2,000	100%	100%	16%	79.4%
The Riviera Phase 2	-	2,000	-	2,000	74%	N/A	N/A	79.4%
Chongqing Tiandi (Lot B3/01)								
- Phase 1 - Upper and Low Village	-	10,000	-	10,000	100%	98%	N/A	79.4%
- Phase 2 - Main buildings	-	39,000	-	39,000	51%	45%	N/A	79.4%
Sub-total	-	53,000	-	53,000				
Dalian Tiandi[2]								
Software office buildings	42,000	-	-	42,000	92%	65%	N/A	48.0%
Sub-total	42,000	-	-	42,000				
Total leasable GFA	**213,000**	**263,000**	**5,000**	**481,000**				
Investment properties held by:								
- Subsidiaries of the Group	171,000	263,000	5,000	439,000				
- Associated companies	42,000	-	-	42,000				
As of 30 June 2011	**213,000**	**263,000**	**5,000**	**481,000**				
As of 31 December 2010	214,000	261,000	5,000	480,000				

1 *The Group has a 75.0% interest in Phase 1 and a 74.3% interest in Phase 2 and Phase 3.*

2 *Dalian Tiandi is a project developed by associates of the Group. Rental income of Dalian Tiandi is not be consolidated as revenue of the Group. Instead, the share of results of Dalian Tiandi are incorporated in the Group's consolidated income statement as "share of results of associates" using the equity method of accounting.*

Shanghai Xintiandi, Xintiandi Style and Corporate Avenue continue to be the main contributors to rental income during the first half of 2011, accounting for 72% of total rental income. All these three developments are almost fully occupied.

The commercial areas of the Shanghai Rui Hong Xin Cheng Phase 1 and Phase 2 continue to be virtually fully leased.

The occupancy rate of Shanghai KIC Village R1/R2 increased to 65%. Occupancy rate at KIC Plaza Phase 1 and Phase 2 were 78% and 39% respectively.

Hangzhou Xihu Tiandi Phase 1 continues to enjoy virtually full occupancy with a slight increase in rental income.

Wuhan Tiandi Phase 1 (Lot A4-1) achieved a 99% occupancy rate, while Phases 2 and 3 (Lots A4-2 and A4-3)'s combined occupancy rate was 80%.

The occupancy rate of the Upper and Lower Village and Main Buildings at Chongqing Tiandi were 100% and 51%, respectively. The commercial area of Phase 1 were fully occupied, while the commercial area of Phase 2 achieved a 74% occupancy rate. Five anchor tenants, including Broadway Cinemas, Poggenpohl, Zen, Lamborghini and Mini of BMW Group signed lease agreements in June 2011 to open shops at Chongqing Tiandi.

Quality and valuable investment property portfolio provides alternative funding resource

As of 30 June 2011, the carrying book value of the completed investment property portfolio was RMB14,508 million. The portfolio in Shanghai accounted for 91%. Approximately RMB8.5 billion equivalent mortgage loans were obtained by pledging the completed investment properties, of which approximately 56% was denominated in Hong Kong dollars.

As of 30 June 2011, the carrying book value of investment properties under development stated at valuation was RMB7,839 million for a total GFA of 770,000 sq.m. Including construction costs incurred to date, the average value per sq.m. of these investment properties portfolio was RMB10,200 per sq.m. Most of these investment properties under development were lands acquired during 2004 to 2007 and are scheduled for delivery in the second half of 2011 and beyond. The remainder was stated at cost at RMB10,275 million.

The fair value of the Group's investment properties were based upon valuations carried out by an independent qualified professional appraiser.

The table below summarises the carrying value of the investment properties together with the change in fair value during the six months ended 30 June 2011:

Project	**Increase in fair value for the six months ended 30 June 2011**	**Carrying value as of 30 June 2011**	**Carrying value per GFA**	**Group's interest**
	RMB million	RMB million	RMB per sq.m.	%
Completed investment properties at valuation				
Shanghai Taipingqiao	150	9,789	60,400	99.0%[1]
Shanghai Rui Hong Xin Cheng	5	642	18,300	74.3%[2]
Shanghai KIC	44	2,725	20,600	86.8%
Wuhan Tiandi	221	870	18,900	75.0%
Chongqing Tiandi	1	482	13,400	79.4%
Sub-total	**421**	**14,508**	**35,300**	
Investment properties under development at valuation				
Shanghai Taipingqiao	15	4,087	26,200	99.0%
Shanghai Rui Hong Xin Cheng	27	493	16,400	74.3%
Shanghai KIC	130	1,009	18,000	86.8%
Chongqing Tiandi	57	1,248	2,500	79.4%[3]
Foshan Lingnan Tiandi	11	1,002	26,400	100.0%
Sub-total	**240**	**7,839**	**10,200**	
Investment properties under development at cost				
Various projects	-	10,275		
Total	**661**	**32,622**		

[1] *The Group has a 97.0% interest in Shanghai Xintiandi and a 99.0% interest in Shanghai Xintiandi Style and Shanghai Corporate Avenue.*
[2] *The Group has a 75.0% interest in Phase 1 and a 74.3% interest in Phase 2 and Phase 3.*
[3] *The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 which the Group has a 59.5% effective interest. Lot B11-1/02 will be developed into super high rise office towers.*

Three-Year Plan

To accomplish the "Three-Year Plan" initiatives set out in 2010, the Group has expedited the development schedule of various projects. The table below summarises projects that have been delivered in the first half of 2011 and are planned for completion and delivery in the second half of 2011 and year 2012:

Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	%
Property delivered in the first half of 2011								
Chongqing Tiandi	-	-	2,000	-	2,000	12,000	14,000	79.4%
Foshan Lingnan Tiandi	42,000	-	-	-	42,000	18,000	60,000	100.0%
Dalian Tiandi[1]	46,000	-	-	-	46,000	-	46,000	48.0%
Total	88,000	-	2,000	-	90,000	30,000	120,000	
Plan for delivery in the second half of 2011								
Shanghai Rui Hong Xin Cheng	31,000	-	-	-	31,000	-	31,000	74.3%
Shanghai KIC	-	42,000	14,000	-	56,000	19,000	75,000	86.8%
Wuhan Tiandi	51,000	57,000	2,000	-	110,000	45,000	155,000	75.0%
Chongqing Tiandi	121,000	-	-	-	121,000	4,000	125,000	79.4%
Foshan Lingnan Tiandi	13,000	-	38,000	37,000	88,000	37,000	125,000	100.0%
Dalian Tiandi[1]	98,000	114,000	-	-	212,000	74,000	286,000	48.0%
Total	314,000	213,000	54,000	37,000	618,000	179,000	797,000	
Plan for delivery in year 2012								
Shanghai Rui Hong Xin Cheng	32,000	-	12,000	-	44,000	31,000	75,000	74.3%
Wuhan Tiandi	126,000	-	-	-	126,000	-	126,000	75.0%
Chongqing Tiandi	166,000	288,000	14,000	-	468,000	110,000	578,000	79.4%[2]
Foshan Lingnan Tiandi	66,000	-	30,000	9,000	105,000	37,000	142,000	100.0%
Dalian Tiandi[1]	119,000	85,000	37,000	40,000	281,000	30,000	311,000	48.0%
Total	509,000	373,000	93,000	49,000	1,024,000	208,000	1,232,000	

1 *Dalian Tiandi is a project developed by associates of the Group.*

2 *The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 which the Group has a 59.5% effective interest. Lot B11-1/02 will be developed into super high rise office towers.*

Residential properties available for sale and pre-sale in the second half of 2011

The Group plans to have approximately 331,600 sq.m. of residential GFA for sale and pre-sale in our six projects during the second half of 2011. The majority of such sales will be from Chongqing Tiandi, Foshan Lingnan Tiandi and Dalian Tiandi.

The table below summarises residential properties available for sale in the second half of 2011:

Project	Available for sale and pre-sale in the second half of 2011	**Group's interest**
	GFA in sq.m.	
Shanghai Taipingqiao	3,500	99.0%
Shanghai Rui Hong Xin Cheng	4,600	74.3%
Wuhan Tiandi	18,000	75.0%
Chongqing Tiandi	149,800	79.4%
Foshan Lingnan Tiandi	59,400	100.0%
Subtotal	235,300	
Dalian Tiandi[1]	96,300	48.0%
Total	331,600	

[1] *Dalian Tiandi is a project developed by associates of the Group. Sales of Dalian Tiandi will not be consolidated as revenue of the Group. Instead, the share of results of Dalian Tiandi are incorporated in the Group's consolidated income statement as "share of results of associates" using the equity method of accounting.*

As a note of caution, actual market launching date depends on and will be affected by factors such as construction progress, changes in market environments, changes in government regulations and the like.

Commercial Properties for Sale

As part of the strategy to increase asset turnover and shorten the investment payback period, the Group has earmarked a total of 250,000 sq.m. of the commercial properties in Shanghai KIC, Wuhan Tiandi, Chongqing Tiandi and Foshan Lingnan Tiandi for sale. In the first half of 2011, a total GFA of 59,000 sq.m. at Wuhan office tower Lot A5 were sold en-bloc to Ping An. The remaining areas at Shanghai KIC, Chongqing Tiandi and Foshan Lingnan Tiandi are currently under negotiation.

Construction and Relocation Progress

Shanghai Taipingqiao
Corporate Avenue Phase 2 consists of two land parcels, namely Lot 126 and Lot 127. Lot 126 with 73,000 sq.m. of GFA had commenced construction works in the first half of 2011. It is to be developed into a grade A office tower incorporating a retail podium. Lot 127, with an additional 83,000 sq.m. of GFA, of office and retail space is still under relocation and 91% of the households have already signed relocation agreements.

Stage 1 of Residential Phase 4 (Lot 116) completed its second round of relocation consultation. 79% of the households agreed to be relocated as of 30 June 2011. The Group has a 50% interest in the site.

Shanghai Rui Hong Xin Cheng
Residential Phase 4 (Lot 4) is under construction and most of the apartments have been pre-sold as of 30 June 2011. Towers 1 and 2 are scheduled to be delivered in 2011, while Towers 5 and 6 are scheduled for delivery in 2012.

Residential Phase 5 (Lot 6) has commenced construction in the first half of 2011. The planned residential GFA is 116,000 sq.m. and retail GFA is 18,000 sq.m. The Group has a 99% interest in the non-retail portion. The residential apartments are planned for pre-sale in 2012 and afterwards in phases.

With a planned total leasable and saleable GFA of 569,000 sq.m., Lots 2, 3, 9 and 10 completed the second round relocation consultation with 74%, 77%, 79% and 76% respectively, of households signing relocation agreements. The sites are planned to be developed into towers of residential apartments, offices, shopping centres, a hotel and other properties for food and beverages and entertainment.

Relocation Progress of Shanghai Taipingqiao and Rui Hong Xin Cheng

The table below summarises the relocation progress of each site in Shanghai Taipingqiao and Rui Hong Xin Cheng projects:

Project	Property type	GFA in sq.m.	Year of relocation commencement	Relocation progress as of 30 June 2011
Shanghai Taipingqiao				
Under relocation - Old Relocation Scheme[1]				
Corporate Avenue Phase 2 (Lot 126)	Office, retail	73,000	2007	100%
Corporate Avenue Phase 2 (Lot 127)	Office, retail	83,000	2007	91%
Under relocation - New Relocation Scheme[2]				
Residential Phase 4 (Lot 116) Stage 1	Residential	45,000	2010	79%
Shanghai Rui Hong Xin Cheng				
Under relocation - Old Relocation Scheme[1]				
Residential Phase 5 (Lot 6)	Residential, retail	134,000	2005	99%
Under relocation - New Relocation Scheme[2]				
Lot 2	Residential, office,	569,000	2010	74%
Lot 3	retail, hotel		2009	77%
Lot 9			2010	79%
Lot 10			2010	76%

1 *Under the Old Relocation Scheme, negotiation is conducted on an one-on-one negotiation basis. Compensation package is based on both area and number of household members with choices of cash and/or relocation housing compensation.*

2 *The New Relocation Scheme was introduced by Shanghai government in late 2009. The new scheme requires two rounds of consultations prior to relocation. In the first round of consultation, at least 90% of households must agree to be relocated. As if majority of households show their willingness to be relocated, another round of consultation begins, In the second round of consultation, at least two thirds of households must agree the compensation package. If either round of consultation fails, relocation of the site will be suspended. The compensation is based on independent valuation and area of the properties measured by official department, with choices of compensation by cash and/or relocation housing, together with an incentive scheme to encourage the early mover. For details, please refer to the relevant laws and regulations published by the PRC governmental authorities.*

The following projects were acquired through public auctions or tenders with fixed land costs. Local governments are responsible for the site clearance.

Shanghai KIC
Three office buildings with retail podiums on Lot C2 with GFA of 56,000 sq.m. are under construction and are expected to be delivered in 2011. A portion of the office space is planned for en-bloc sale in the second half of 2011.

Hangzhou Xihu Tiandi
In February 2011, the Company disposed of Hangzhou Xihu Tiandi Phase 2 with a net cash from disposal of RMB342 million in view of the procrastination in the relocation and relatively small scale of operations.

Wuhan Tiandi
The Riverview Phase 3 (Lots A11 and A12), comprising super luxurious residential apartments, is under construction and is scheduled for delivery in 2011. Lot A5, a grade A office tower with retail podium, was also under construction and is expected to be delivered in the fourth quarter of 2011. Strong pre-leasing was achieved. The retail podium of Lots A1/A2/A3 with a total GFA of 110,000 sq.m., which are co-developed with Redevco, are now under construction.

A total GFA of 550,000 sq.m. or 81% of Wuhan Tiandi Site B are expected to be developed into residential units and the remaining 127,000 sq.m. into retail and office space. Construction works at residential Phase 4 (Lots B9 and B11) are underway. Pre-sale plan is scheduled to start in 2012. Combined GFA of Lots B9 and B11 is 126,000 sq.m.

Chongqing Tiandi
Towers 1 to 5 of The Riviera Phase 2 (Lot B2-1/01) have largely been delivered to the end-buyers. Towers 6 to 12 of Phase 2 are scheduled for delivery in the second half of 2011. The remaining towers at Phase 2 are scheduled to be launched for pre-sale in the second half of 2011 and are scheduled for delivery in 2012. The Riviera Phase 3 (Lot B19/01) is now under construction with two towers launched for pre-sale by 30 June 2011. The rest is expected to be launched for pre-sale in the second half of 2011 and year 2012.

Construction works on the office tower (with retail spaces) in Phase 1 of Lot B11-1/02 with a GFA of 127,000 sq.m. commenced in late 2009. Construction works of office towers in commercial zone (including Lot B12-1/02, Lot B12-3/02, Lot B12-4/02, Lot B13-1/02 and Lot B13-2/02) commenced in December 2010. A few office towers are designated for en-bloc sales and are currently under negotiation with potential buyers.

Foshan Lingnan Tiandi
The low-rise apartments at The Regency Phase 1 (Lot 4) were completed and delivered to buyers in the first half of 2011. The townhouses at The Legendary Phase 1 (Lot 14) were launched for pre-sale in February 2011 and scheduled to be delivered in the second half of 2011. Phase 2 of The Regency and The Legendary (Lots 5 and 15) are now under construction and are scheduled to be launched for pre-sale in late 2011 and delivery in 2012.

The first stage of Foshan Lingnan Tiandi (Lot 1) commenced construction works in 2009 and is expected to be completed in 2011. We have appointed Marco Polo Hotel Management Group to manage a five-star standard hotel at Lot D.

Dalian Tiandi
A total GFA of 1.4 million sq.m. is currently under development. It is planned to be developed into software office buildings, IT training centres, IT Tiandi and residential apartments.

Land bank

As of 30 June 2011, the Group's land bank (including that of its associates) stood at 13.1 million sq.m. (11.4 million sq.m. of leasable and saleable GFA, and 1.7 million sq.m. of clubhouses, car parking spaces and other facilities) in nine developments located in the business hubs spanning six cities: Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian.

Of the total 8.4 million sq.m. leasable and saleable GFA attributable to the Group, 42% was for residential use, 33% office, 21% retail and 4% hotel and serviced apartments. In terms of geographic distribution, 29% is in Shanghai, 11% Wuhan, 24% Chongqing, 18% Foshan and 18% Dalian, respectively.

Completed properties

As of 30 June 2011, the Group (including Dalian associates) had 526,000 sq.m. of completed properties, of which 481,000 sq.m. were commercial properties held for investment purposes and 45,000 sq.m. were residential units sold but yet to be handed over to the buyers or available for sale.

Property under development

As of 30 June 2011, the Group (including Dalian associates) had a GFA of 4.4 million sq.m. of properties under development, which are scheduled for delivery progressively over the following years.

Property for future development

As of 30 June 2011, the Group (including Dalian associates) had a GFA of 6.5 million sq.m. of properties held for future development.

The Group's total land bank as of 30 June 2011, including that of its associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA Residential	Office	Retail	Hotel/ serviced apartments	**Subtotal**	Clubhouse, carpark and other facilities	**Total**	Group's interest
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	%
Completed properties:								
Shanghai Taipingqiao	4,000	81,000	81,000	5,000	**171,000**	82,000	**253,000**	99.0%[1]
Shanghai Rui Hong Xin Cheng	-	-	35,000	-	**35,000**	38,000	**73,000**	74.3%[2]
Shanghai KIC	-	90,000	42,000	-	**132,000**	93,000	**225,000**	86.8%
Hangzhou Xihu Tiandi	-	-	6,000	-	**6,000**	-	**6,000**	100.0%
Wuhan Tiandi	2,000	-	46,000	-	**48,000**	27,000	**75,000**	75.0%
Chongqing Tiandi	9,000	-	53,000	-	**62,000**	53,000	**115,000**	79.4%
Foshan Lingnan Tiandi	1,000	-	-	-	**1,000**	18,000	**19,000**	100.0%
Dalian Tiandi	29,000	42,000	-	-	**71,000**	14,000	**85,000**	48.0%[3]
Subtotal	45,000	213,000	263,000	5,000	**526,000**	325,000	**851,000**	
Properties under development:								
Shanghai Taipingqiao	90,000	105,000	51,000	-	**246,000**	78,000	**324,000**	99.0%[1]
Shanghai Rui Hong Xin Cheng	179,000	-	30,000	-	**209,000**	83,000	**292,000**	74.3%[2]
Shanghai KIC	-	42,000	14,000	-	**56,000**	19,000	**75,000**	86.8%
The Hub - Hongqiao Tiandi	-	106,000	128,000	45,000	**279,000**	108,000	**387,000**	100.0%
Wuhan Tiandi	177,000	57,000	112,000	-	**346,000**	45,000	**391,000**	75.0%
Chongqing Tiandi	541,000	770,000	281,000	25,000	**1,617,000**	469,000	**2,086,000**	79.4%[4]
Foshan Lingnan Tiandi	95,000	-	144,000	46,000	**285,000**	106,000	**391,000**	100.0%
Dalian Tiandi	706,000	411,000	245,000	40,000	**1,402,000**	104,000	**1,506,000**	48.0%[3]
Subtotal	1,788,000	1,491,000	1,005,000	156,000	**4,440,000**	1,012,000	**5,452,000**	
Properties for future development:								
Shanghai Taipingqiao	166,000	174,000	118,000	38,000	**496,000**	44,000	**540,000**	99.0%
Shanghai Rui Hong Xin Cheng	535,000	272,000	252,000	10,000	**1,069,000**	12,000	**1,081,000**	74.3%[2]
Shanghai KIC	48,000	93,000	-	18,000	**159,000**	-	**159,000**	99.0%
Wuhan Tiandi	424,000	287,000	92,000	50,000	**853,000**	40,000	**893,000**	75.0%
Chongqing Tiandi	780,000	25,000	91,000	78,000	**974,000**	218,000	**1,192,000**	79.4%
Foshan Lingnan Tiandi	545,000	450,000	137,000	80,000	**1,212,000**	38,000	**1,250,000**	100.0%
Dalian Tiandi	431,000	879,000	360,000	42,000	**1,712,000**	-	**1,712,000**	48.0%[3]
Subtotal	2,929,000	2,180,000	1,050,000	316,000	**6,475,000**	352,000	**6,827,000**	
Total land bank GFA	**4,762,000**	**3,884,000**	**2,318,000**	**477,000**	**11,441,000**	**1,689,000**	**13,130,000**	

[1] *The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi and Lot 116, in which the Group has a 97.0% and 50.0% effective interest respectively.*

[2] *The Group has a 75.0% interest in Phase 1, Lot 167A and Lot 167B of Shanghai Rui Hong Xin Cheng project, a 99% interest in the non-retail portion of Lot 6 (Phase 5) and a 74.3% interest in all the remaining phases.*

[3] *Dalian Tiandi has a land bank of 3.3 million sq.m. in GFA. As of 30 June 2011, approximately 3.0 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course.*

[4] *The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 which the Group has a 59.5% effective interest. Lot B11-1/02 will be developed into super high rise office towers.*

Market Outlook

Global economies and markets are going through an extraordinary period of uncertainty and volatility largely owing to concerns over high government debt levels in the United States and Europe. Although this will mainly impact North America and Europe, it may also affect emerging economies including China. China's 2011 first half economic growth, which has remained strong at 9.6%, may moderate in the second half under the influence of global economic and market uncertainties. Rising inflation has been a concern, but slowing global and domestic growth will help to relieve some inflationary pressure. The government has undertaken very stringent measures to cool down the housing market, resulting in a more cautious market sentiment, reduced transaction volumes and slower price growth in major cities. At the same time, many cities' office and retail property markets are faring strongly, as China undergoes a transformation towards a consumer-led and service-led economy - providing us with the opportunity to develop these business areas.

We have confidence that the Chinese government will continue to manage the economy well, based on its track record over the past three decades and especially during the global financial crisis in 2008-09. In July 2011, Premier Wen Jiabao said that while the government would continue to put controlling inflation at the top of its agenda, it would also seek to avoid any large swings in economic growth caused by excessive tightening. With considerable uncertainty in the economic outlook, the government is maintaining a close watch on developments at home and abroad, and is ready to fine tune policy settings if necessary.

The latest round of residential market tightening measures announced in January this year can be seen as a further move to influence market sentiment and prevent overheating. The minimum downpayment for second-home purchases was raised from 50% to 60%, and many banks are requiring 40% downpayments for first-home purchases, above the official minimum of 30%. Moreover, over 40 major cities have implemented purchase restrictions, and the State Council has indicated that the restrictions will be rolled out in additional cities. Under these restrictions, local residents with only one property may purchase one more property; while non-local residents with at least one property - and local residents with at least two properties - are banned from purchasing additional properties. Finally, 608 out of 657 cities have set home price targets for 2011 to ensure that growth in average new home prices does not exceed growth in GDP or average personal disposable income.

China's commercial real estate market is maturing rapidly and has stoked investor appetites both domestically and internationally. This gives us confidence in executing our strategy of selling non-core commercial property assets to generate cash for development in ongoing projects. Following regulatory changes, new classes of domestic long-term investors - such as insurers – are expanding their real estate portfolios. International investors are also keen to increase their holdings of Chinese commercial real estate. According to Jones Lang LaSalle's Global Corporate Real Estate Survey 2011, global corporate real estate portfolios in North Asia (primarily China) are projected to grow by net 60% over the next three years, beating all other regions.

Economic prospects remain excellent for the duration of the 12th Five-Year Plan (2011-2015) - especially in cities where our development projects are located: Shanghai, Chongqing, Wuhan, Foshan, and Dalian. Among these cities, Shanghai has the most mature commercial property market and continues to offer very promising development and investment prospects. According to the Urban Land Institute's (ULI's) Emerging Trends in Real Estate Asia Pacific 2011, Shanghai is second only to Singapore amongst Asia Pacific cities for investment prospects. Within Shanghai, the retail property market is the most favoured investment category, according to the ULI survey respondents.

Chongqing's Liangjiang district new economic zone was incorporated into China's 12th Five-Year Plan, approved in March 2011, and elevated to national-level status. It will enjoy preferential policies similar to those of Shanghai's Pudong district and Tianjin's Binhai district. This reaffirms our view that Chongqing will emerge as the principal economic hub of West China, and this has attracted a growing number of multinational companies. Utilised foreign direct investment nearly doubled year-on-year to US$1.9 billion in January-May 2011, driving demand for Grade A office space. According to DTZ, tenants from global 500 companies have taken up about 10% of total Grade A office space in Chongqing, mostly in the Yuzhong district where our project is located.

In Wuhan, improvements in intra-city and inter-city transportation infrastructure will spur service sector development, supporting its emerging role as a regional economic centre in Central China and burgeoning Grade A office market. According to Wuhan's 12th Five-Year Plan, it will extend two existing metro lines, build five new metro lines and construct two new bridges by 2015.

Foshan’s 12th Five-Year Plan envisages an economic transformation away from a largely manufacturing-centric economy. The Foshan government has targeted average annual growth of at least 15% in the service sector until 2015, compared with a 10%+ target for overall GDP growth. This should support demand for Grade A office space. In addition, Foshan has set a growth target of 13% for retail sales - higher than the GDP growth target and positive for the retail property market.

Dalian is emerging as an internationally attractive city with a diversified economy, high quality of life and global accessibility. In 2010, Dalian’s highly effective leadership ushered in a remarkable 66% increase in foreign direct investment to US$10 billion, placing it behind only Shanghai and Tianjin amongst mainland cities. Dalian is targeting a 10% increase in its urbanisation rate by 2015, which will go hand-in-hand with substantial development of both the residential and commercial property markets.

We believe that the locations and maturing communities within the neighbourhoods of our projects are our competitive strengths. Our centrally located properties in major cities will continue to command premium prices due to the scarcity of developable land in comparable locations. In addition, the prospect of continued Renminbi appreciation, which has climbed over 5% since it was unpegged against the US dollar last June, will heighten investor interest in Chinese mainland residential and commercial properties. Our portfolio of commercial properties, including Xintiandi-style developments, stand to benefit from improved regional integration resulting from the new high-speed rail network, growing middle-class affluence and government policies to increase local consumption. In view of global economic uncertainties and the prospect for continued housing purchase restrictions in China, we will achieve growth by adjusting the contributions from commercial and residential real estate revenues accordingly.

Financial Review

Turnover for the six months ended 30 June 2011 was RMB1,935 million (2010: RMB3,121 million), composed of turnover from subsidiaries of RMB1,788 million (2010: RMB3,121 million) and the proportionate share of the turnover from our Dalian associate of RMB147 million (2010: nil). Turnover decreased by 38% primarily due to lesser property sales being recognised in the first half of 2011.

Property sales for the six months ended 30 June 2011 amounted to RMB1,500 million (2010: RMB2,778 million), made-up of the property sales by subsidiaries of RMB1,356 million and the proportionate share from our Dalian associate of RMB144 million. Sales were smaller by 46% due to a decrease in GFA delivery to customers from 135,800 sq.m. to 54,800 sq.m. Detailed description of property sales during the six month ended 30 June 2011 are contained in the paragraph headed "Property Sales" in the Business Review Section.

Rental and other related income from investment properties of the Group rose by 26% to RMB432 million (2010: RMB343 million), mainly due to the increase in the size of the investment properties portfolio as a result of the completion of investment properties in 2010 and during the period.

Gross profit for the six months ended 30 June 2011 declined to RMB827 million (2010: RMB1,272 million) but with a higher gross profit margin of 46% (2010: 41%).

Other income rose by 74% to RMB151 million (2010: RMB87 million), consisted of RMB74 million (2010: RMB69 million) in interest income and consulting service fee income of RMB69 million (2010: nil).

Selling and marketing expenses increased by 13% to RMB68 million (2010: RMB60 million), a corresponding result of the increase in contracted sales from RMB1,549 million in 2010 to RMB4,976 million in 2011 (excluding associates).

General and administrative expenses slightly increased by 6% to RMB291 million (2010: RMB275 million).

Operating profit was 40% lower at RMB619 million (2010: RMB1,024 million), a composite effect of the various items mentioned above.

Increase in fair value of investment properties decreased by 55% to RMB661 million (2010: RMB1,461 million), of which RMB421 million (2010: RMB384 million) was derived from completed investment properties and RMB240 million (2010: RMB1,077 million) was from investment properties under construction or development. Detailed description of the investment properties are contained in the paragraph headed "Investment Properties" in the Business Review Section.

Share of results of associates was RMB97 million (2010: RMB68 million), which included a revaluation gain from investment properties under development or construction (net of related taxes) amounting to RMB58 million (2010: RMB71 million) attributable to the Group.

Finance costs after capitalisation of certain interest expenses and after netting off exchange gain amounted to RMB51 million (2010: RMB36 million). With the issuance of RMB2,720 million convertible bonds, RMB3,000 million notes and RMB3,500 million notes in September 2010, December 2010 and January 2011 respectively, together with more bank loans being raised of RMB2,619 million during the six months under review, gross interest expenses increased to RMB873 million (2010: RMB382 million). Capitalised borrowing costs increased correspondingly to RMB746 million (2010: RMB356 million).

Profit before taxation decreased by 48% to RMB1,326 million (2010: RMB2,540 million), due to a composite effect of the various items mentioned above.

Taxation decreased by 46% to RMB447 million (2010: RMB832 million). Excluding the provision of land appreciation tax of RMB90 million (which was assessed based on the appreciation value of properties disposed of) together with its corresponding enterprise income tax effect of RMB23 million, the effective tax rate for the six months ended 30 June 2011 was 28.7% (2010: 26.9%).

Profit attributable to shareholders of the Company for the six months ended 30 June 2011 was RMB784 million, a decrease of 50% when compared to the same period in 2010 (2010: RMB1,557 million).

Profit attributable to shareholders excluding revaluation of investment properties is as follows:

	Six months ended 30 June		
	2011	2010	Change
	RMB'million	RMB'million	%
Profit attributable to shareholders of the Company	**784**	1,557	-50%
Revaluation gain on investment properties of the Group (net of deferred tax effect and share of non-controlling interests)	**(423)**	(1,030)	
Share of revaluation gain on investment properties of associates (net of tax effect)	**(58)**	(71)	
Profit attributable to shareholders of the Company before revaluation of investment properties	**303**	456	-34%

Earnings per share were RMB0.15 calculated based on a weighted average of approximately 5,212 million shares in issue during the six months ended 30 June 2011 (2010: RMB0.31 calculated based on a weighted average of approximately 5,023 million shares in issue).

Capital Structure, Gearing Ratio and Funding

In January 2011, the Group further issued RMB3,500 million senior notes to independent third parties with a maturity of four years due in January 2015 (the "2015 Notes"). The 2015 Notes are denominated in RMB and settled in US$, and bear coupon at 7.625% per annum payable semi-annually in arrears. Together with the RMB2,720 million convertible bonds and RMB3,000 million 6.875% senior notes due in December 2013 (the "2013 Notes"), the Group has raised a total sum of RMB9,220 million. These proceeds are mainly used to fund capital expenditures and business growth in future years.

As of 30 June 2011, the structure of the Group's borrowings is summarised below:

	Total (in RMB equivalent)	**Due within one year**	**Due in more than one year but not exceeding two years**	**Due in more than two years but not exceeding five years**	**Due in more than five years**
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	5,683	1,264	1,333	2,153	933
Bank borrowings – HK$	9,473	4,119	3,000	2,354	-
Other borrowings – US$	646	322	-	324	-
	15,802	5,705	4,333	4,831	933
Convertible bonds – RMB	2,170	-	-	2,170	-
Notes – RMB	6,503	-	-	6,503	-
Total	24,475	5,705	4,333	13,504	933

Total cash and bank deposits amounted to RMB7,334 million as of 30 June 2011 (31 December 2010: RMB6,790 million), which included RMB3,282 million (31 December 2010: RMB1,885 million) of deposits pledged to banks.

As of 30 June 2011, the Group's net debt balance was RMB17,141 million (31 December 2010: RMB11,455 million) and its total equity was RMB26,358 million (31 December 2010: RMB26,028 million). The Group's net gearing ratio was 65% as of 30 June 2011 (31 December 2010: 44%), calculated on the basis of the excess of the sum of convertible bonds, notes, bank and other borrowings but after netting off bank balances and cash (including pledged bank deposits) over the total equity.

Pledged Assets

As of 30 June 2011, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable and bank and cash balances totalling RMB28,430 million (31 December 2010: RMB25,275 million) to secure our borrowings of RMB13,195 million (31 December 2010: RMB11,186 million).

Capital and Other Development Related Commitments

As of 30 June 2011, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB14,672 million (31 December 2010: RMB14,579 million).

Future Plans for Material Investments and Sources of Funding

Our strategy is to continue focusing on the development of our existing land bank which is situated in prime locations. We shall, at appropriate times, 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 to acquire land development rights for the purpose of undertaking property projects or other ways to expand our business by leveraging on our master planning expertise.

During the six months ended 30 June 2011, the Group has acquired 24.75% effective rights and interests pertaining to the Non-Retail Portion of Lot 6 of the Shanghai Rui Hong Xin Cheng project from a non-controlling shareholder. The Group is confident that the land relating to the Non-Retail Portion will be one of the most valuable land parcels for the Group in the near future. Given the satisfactory outlook of the Shanghai economy and reputable track record in the residential sales of Rui Hong Xin Cheng Project, it is expected that this acquisition will offer excellent growth potential and represent an attractive investment opportunity for the Group.

Cash flow Management and Liquidity Risk

Management of the Group's cash flow is the main responsibility of the Group's treasury at the corporate level.

Our objective is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings and other borrowings, where appropriate. 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 times.

Exchange Rate and Interest Rate Risks

The revenue of the Group is denominated in RMB. The convertible bonds and notes issued were also denominated in RMB. The coupon payments and the repayment of the principal amounts of the convertible bonds and notes do not expose the Group to any exchange rate risks. A portion of the revenue, however, is converted into other currencies to meet our foreign currency denominated debt obligations, such as the bank and other borrowings denominated in HK$ and US$. As a result, to the extent where we have a net currency exposure, the Group is exposed to fluctuations in foreign exchange rates.

Considering a relatively stable currency regime with regard to the RMB as it is maintained by the Central Government, which only allows the exchange rate to fluctuate within a narrow range going forward, and the Group's view that it is more probable that the value of the RMB will appreciate rather than depreciate relative to the HK$/US$ in the short to medium term; the Group expects that any adverse effects of the exchange rate fluctuation between the RMB and HK$/US$ may not be significant.

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

At 30 June 2011, the Group had various outstanding loans that bear variable interest linked to Hong Kong Inter-bank Borrowing Rates. The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group will receive interest at variable rates at Hong Kong Inter-bank Borrowing Rates and pay interest at fixed rates ranging from 0.69% to 3.58% based on the notional amount of HK$8,210 million in aggregate.

Save as disclosed above, the Group did not hold any other derivative financial instruments as of 30 June 2011. The Group continues to monitor its exposure to interest rates and exchange rate risks closely, and may employ derivative financial instruments to hedge against risk when necessary.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.025 (2010: HK$0.06) per share for the six months ended 30 June 2011, which is payable on 18 October 2011 to shareholders whose names appear on the register of members of the Company on 7 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 October 2011 to 7 October 2011, both days inclusive, during which period no transfer of shares will be registered. 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 30 September 2011.

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 2011.

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to reviewing its corporate governance practices from time to time to ensure they comply with the Code on Corporate Governance Practices (the "CG Code" contained in Appendix 14 of the Rules Governing the Listing of Securities 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 2011.

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

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

Board Composition

During the six months ended 30 June 2011, the majority of the members of the Board of Directors of the Company were Independent Non-executive Directors ("INEDs"). With the appointment of Mr. Frankie Y. L. WONG as a member of the Board on and with effect from 17 August 2011, the Board is now made up of eleven members in total, with three Executive Directors, two Non-executive Directors 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 2011, 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 2011, 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 2011, the Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. Vincent H. S. LO ("Mr. LO") and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. FUNG.

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

Nomination Committee
The Nomination Committee currently comprises three members, Mr. LO, Sir John R. H. BOND 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.

Finance Committee
Finance Committee currently comprises seven members, namely Mr. LO, Sir John R.H. BOND, Dr. FUNG, Professor BIDDLE, Mr. Freddy C.K. LEE, Mr. Daniel Y. K. WAN and Mr. Frankie Y. L. WONG. Mr. Frankie Y. L. WONG was appointed as a member of the Finance Committee on and with effect from 17 August 2011. Sir John R. H. BOND, Dr. FUNG and Professor BIDDLE are INEDs. The chairman of the Finance Committee is Mr. LO.

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

Compliance with Code on Corporate Governance Practices
During the six months ended 30 June 2011, the Company has complied with the code provisions of the CG Code except for the following deviation during the period of 1 January 2011 to 16 March 2011:

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

With the appointment of Mr. Freddy C.K. LEE as Chief Executive Officer of the Company on 16 March 2011, while Mr. LO remains as the Chairman of the Company with effect from the same date, the Company has fully complied with the code provisions of the CG Code.

Awards on Corporate Governance
The Company was awarded as one of the "2011 Top 50 Listed Real Estate Developers in China" organised by the China Real Estate Appraisal, and also as one of the winners of the "7th Corporate Governance Asia Recognition Awards 2011" organised by Corporate Governance Asia.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2011, the number of employees in the Group was 1,258 (31 December 2010: 1,267); the headcount of the property management business acquired in 2008 was 1,125 (31 December 2010: 1,350). The Group provides comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organized by professional bodies and educational institutes.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's condensed consolidated statement of financial position as of 30 June 2011, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income 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

In closing, I would like to thank our shareholders and business partners for their continued support. I must also thank our Board of Directors, management and staff for their loyalty, dedication and tireless efforts. In this time of volatilities, our people have provided the solid foundation for the Group to face up to all the uncertainties.

Building on our premium land bank, significant high-profile projects and sterling market reputation; we remain confident in our ability to deliver projects that can attract top of the market prices and with a quality standard that meets the market's highest expectation. We will continue to do our best to generate new value for the benefit of our shareholders.

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

Hong Kong, 17 August 2011

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman), Mr. Freddy C.K. LEE (Chief Executive Officer) and Mr. Daniel Y. K. WAN; the non-executive directors of the Company are The Honourable LEUNG Chun Ying and Mr. Frankie Y. L. WONG; 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.

* *For identification purposes only*