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 2012 Interim Results

HIGHLIGHTS

- For the first half of year 2012 ("1H2012"), the Group recorded turnover of RMB1,643 million, a decrease of 8% due to fewer properties being delivered and recognised as property sales during the reporting period.
- Rental and related income rose 39% to RMB563 million for 1H2012, from RMB405 million in the first half of year 2011 ("1H2011"), as contributions from new and existing recurrent income streams strengthened.
- Gross profit margin remained stable at 45%.
- The Group recorded a fair value gain of RMB1,268 million in its investment property portfolio for 1H2012.
- Profit attributable to shareholders increased by 5% to RMB825 million in 1H2012.
- Contracted sales for 1H2012 was RMB1,546 million. A total GFA of 75,920 sq.m. was sold and presold with Average Selling Price("ASP") of RMB20,400 per sq.m..
- As of 30 June 2012, total locked-in sales for delivery in the second half of 2012 ("2H2012") and beyond reached RMB4,887 million (including those of Dalian associates) with GFA of 345,100 sq.m..
- The Group plans to offer approximately 564,400 sq.m. of residential GFA spanning seven Group projects, for sale and pre-sale during 2H2012.
- The total carrying value of the completed investment properties was recorded at RMB21,632 million as of 30 June 2012. The properties located in Shanghai contributed 87% of the carrying value.
- As of 30 June 2012, total cash and bank deposits of the Group amounted to RMB5,196 million.
- On 6 August 2012, the Group further issued US$400 million of 9.75% senior notes at 102.785% of the principal amount with an effective finance cost of 8.5% per annum.

Website: www.shuionland.com

BUSINESS REVIEW

For the first half of year 2012 ("1H2012"), the Group recorded turnover of RMB1,643 million, with property sales and rental and related income from investment properties accounting for 65% and 34%, respectively, of total turnover. This compares with turnover of RMB1,788 million for the first half of year 2011 ("1H2011").

Property Sales

Recognised Property Sales

Due to fewer properties being delivered and recognised as property sales during the reporting period, recognised property sales decreased 22% to RMB1,062 million for a total GFA of 51,800 sq.m.. Recognised property sales for Dalian Tiandi stood at RMB389 million, and its related profit was recorded in the share of results of associates.

The table below summarises by project the recognised sales (stated after the deduction of business tax of 5% and other surcharges/taxes) for 1H2012 and 1H2011:

	1H2012			**1H2011**			**ASP**
Project	**Sales revenue**	**GFA sold**	**ASP**	**Sales revenue**	**GFA sold**	**ASP**	**Growth rate**
	RMB million	sq.m.	RMB per sq.m.	RMB million	sq.m.	RMB per sq.m.	%
Shanghai Taipingqiao	50	360	147,200	423	3,100	143,600	3%
Shanghai Rui Hong Xin Cheng ("RHXC")	190	5,100	39,500	5	200	29,200	35%
Shanghai Knowledge and Innovation Community ("KIC")	35	1,900	19,500	36	1,900	20,500	-5%
Wuhan Tiandi	96	3,500	29,100	46	1,200	40,400	-28%
Chongqing Tiandi[1]	431	40,300	13,800	94	9,700	12,800	8%
Foshan Lingnan Tiandi	18	840	22,700	696	40,600	18,000	26%
Subtotal	820	52,000	16,700	1,300	56,700	25,200	-34%
Carparks and others	246	-		92	-		
Dalian Tiandi	389	33,100	12,500	301	17,100	18,500	-32%
Total	**1,455**	**85,100**	**18,100**	**1,693**	**73,800**	**24,100**	
Recognised as:							
- property sales in turnover of the Group [2]	1,062	51,800	21,700	1,356	54,800	26,000	-17%
- disposals of investment property[2]	4	200	21,200	36	1,900	20,500	
- turnover of associates	389	33,100	12,500	301	17,100	18,500	
Total	**1,455**	**85,100**		**1,693**	**73,800**		

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

2 *Sales of commercial properties are recognized as "turnover" if the properties concerned are designated for sale prior to the commencement of development. Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposals of investment properties".*

The 17% decrease in recognised ASP was mainly due to a change in product mix. In 1H2012, 41% of property sales in turnover of the Group were from Chongqing Tiandi which commands a lower ASP. Chongqing Tiandi contributed 7% of property sales in turnover of the Group in 1H2011.

The Group's developments recorded healthy ASP growth in the period under review. ASP for Shanghai Taipingqiao rose 3% to RMB147,200 per sq.m., Shanghai RHXC soared 35% to RMB39,500 per sq.m., and Chongqing Tiandi increased 8% to RMB13,800 per sq.m.. The ASP in Foshan Lingnan Tiandi saw a 26% jump to RMB22,700 per sq.m. due to some premium-priced townhouse units being delivered in 1H2012.

The ASP of Shanghai KIC declined as properties delivered in 1H2012 were mainly SOHO units, whose selling prices are historically lower than those of general office units. Similarly, the ASP of Wuhan Tiandi was lower during the period under review, as the properties delivered in 1H2011 were a mix of street level retail shops and residential units of The Riverview Phase 2 residential development located in Site A. Selling prices of retail shops were higher than those of residential property. The ASP in Dalian Tiandi was lower as the units delivered in 1H2012 were mainly apartments, while the delivery in 1H2011 consisted of a mix of apartments and premium-priced townhouses.

<u>Contracted Sales</u>

The table below provides an analysis by project of contracted sales (stated before the deduction of business tax of 5% and other surcharges/taxes) for 1H2012 and 1H2011:

	1H2012			**1H2011**			**ASP**
Project	**Contracted amount**	**GFA sold**	**ASP**	**Contracted amount**	**GFA sold**	**ASP**	**Growth rate**
	RMB million	sq.m.	RMB per sq.m.	RMB million	sq.m.	RMB per sq.m.	%
Property sales:							
Shanghai Taipingqiao	53	360	147,200	498	3,500	142,300	3%
Shanghai RHXC	14	360	38,900	1,269	32,000	39,700	-2%
Shanghai KIC	40	1,400	28,600	39	1,900	20,500	40%
Wuhan Tiandi	577	25,000	23,100	1,197	35,800	33,400	-31%
Chongqing Tiandi[1]	319	30,000	13,000	467	37,700	15,100	-14%
Foshan Lingnan Tiandi	160	4,200	38,100	474	13,000	36,500	4%
Subtotal	1,163	61,320	19,000	3,944	123,900	31,800	-40%
En-bloc sales:							
Wuhan Tiandi - A5	-	-	-	963	58,800	16,400	-
Dalian Tiandi	179	14,600	12,300	294	23,900	12,300	-
Carparks and others	204	-		69	-		
Total contracted sales	**1,546**	**75,920**	**20,400**	**5,270**	**206,600**	**25,500**	-20%

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

The Group had a total GFA of 189,700 sq.m. available for sale and pre-sale in 1H2012. Contracted sales for 1H2012 were RMB1,546 million, and decreased by 71% from RMB5,270 million in 1H2011. A total GFA of 75,920 sq.m. was sold and presold with the ASP 20% lower at RMB20,400 per sq.m., which was the result of a change in product mix. The ASPs of Shanghai Taipingqiao, Shanghai RHXC and Foshan Lingnan Tiandi townhouses remained stable in 1H2012.

Contracted sales for Wuhan Tiandi in 1H2012 were primarily the presale of a new development site - The Regal Riverview Phase 1 in Site B - which is located next to north of No.2 Yangtze River Bridge. The ASP for the reporting period was recorded at RMB23,100 per sq.m., 31% lower than the ASP of The Riverview Phase 3 located at Site A and sold in 1H2011. The current price reflects the lesser prime location of The Regal Riverview Phase 1 in Wuhan Tiandi and the construction works of Site B being in the initial stage. By contrast, The Riverview Phase 3 residential development in Site A is already at a mature stage, with an advantageous waterfront position facing the Yangtze River in Wuhan Tiandi and providing immediate access to the Wuhan Tiandi entertainment hub area.

For 1H2012, the ASP for Chongqing Tiandi The Riviera decreased by 14% to RMB13,000 per sq.m. as more small size units and apartments enjoying garden and city views in Phase 3 were sold.

In addition, a total GFA of around 36,900 sq.m. was subscribed and subject to formal sale and purchase agreements as of 30 June 2012, totally amounted to RMB580 million.

At the conclusion of 1H2012, there were several en-bloc sales transactions under negotiation, which the Group is confident of concluding in the second half of year 2012 (“2H2012”).

Locked-in sales carried forward to 2H2012 and beyond

As of 30 June 2012, total locked-in sales for delivery in 2H2012 and beyond had reached RMB4,887 million (including those of Dalian associates) with GFA of 345,100 sq.m..

Residential GFA available for sale and pre-sale in 2H2012

The Group plans to have approximately 564,400 sq.m. of residential GFA spanning seven Group projects available for sale and pre-sale during 2H2012, among which around 450,600 sq.m. properties are planned for new launches. New towers with different product design and layout in Wuhan (Site B), Chongqing (Phases 2 to 5), Foshan (Phase 2) and Dalian will be launched in 2H2012. New launches for Shanghai KIC Jiangwan Regency (Lot 311 Phase 1) and Shanghai Rui Hong Xin Cheng (Phase 5) are scheduled to commence in October 2012 and December 2012, respectively. Construction works in Shanghai RHXC, Shanghai KIC and Wuhan have also been accelerated to meet market demand.

The table below summarises residential properties planned to be available for sale and pre-sale in 2H2012:

Project		**Available for sale and pre-sale in 2H2012**	**Group’s interest**
		GFA in sq.m.	
Shanghai Taipingqiao	The Manor	700	99.0%
Shanghai RHXC	Phase 5	23,000	99.0%
Shanghai KIC	Jiangwan Regency (Lot 311 Phase 1)	49,300	99.0%
Wuhan Tiandi	The Regal Riverview Phase 1 (Lots B9 and B11)	98,700	75.0%
Chongqing Tiandi	The Riviera Phases 2 to 5	182,500	79.4%
Foshan Lingnan Tiandi	Legendary Phase 2 and Regency Phase 2	65,900	100.0%
Subtotal		420,100	
Dalian Tiandi[1]	Huangnichuan and Hekou Bay	144,300	48.0%
Total		**564,400**	

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

By way of a cautionary note, the actual market launch dates depend on and will be affected by factors such as construction progress, changes in market environments, and changes in government regulations.

Investment Property

Rental and related income from investment properties rose significantly by 39% to RMB563 million for 1H2012. The increase was mainly due to rental growth from the existing completed investment property portfolio and income from the newly acquired, mature investment properties, namely Shanghai Shui On Plaza and Shanghai Langham Xintiandi Hotel. These acquisitions were completed on 16 March 2012.

For 1H2012, a total GFA of 113,000 sq.m. of investment properties were newly completed, of which 61,000 sq.m. were held by subsidiaries of the Group and 52,000 sq.m. were held by associate companies.

As of 30 June 2012, a portfolio of approximately 626,000 sq.m. in GFA of completed investment properties was held by subsidiaries of the Group. Approximately 56%, 37% and 7%, were earmarked for retail, office and hotel space, respectively. Geographically, around 71%, 11%, 10%, 7% and 1%, were located in Shanghai, Foshan, Chongqing, Wuhan and Hangzhou respectively. The rental and related income generated from this portfolio of investment properties is recorded in the Group's turnover. In addition, the rental income and the related profit of a total GFA of approximately 207,000 sq.m. located at Dalian held by associates of the Group, were recorded in the share of results of associates.

The carrying value of the completed investment properties (excluding hotel and self-used properties) rose by 20% to RMB21,632 million, of which RMB449 million (representing 2% of the carrying value) arose from increase in fair value, for a GFA of 549,000 sq.m. during 1H2012. Contributing factors included an increase in rental and related income generated from the existing completed investment property portfolio, completion of new investment properties as well as the completed acquisition of Shanghai Shui On Plaza. The properties located in Shanghai, Wuhan, Foshan and Chongqing, respectively contributed 87%, 5%, 5% and 3% of the carrying value.

Investment properties under development total a GFA of 995,000 sq.m. and rose by 20% to RMB11,886 million, of which RMB819 million (representing 7% of the carrying value) arose from increase in fair value during 1H2012. The increase was mainly due to the accelerated construction works of Corporate Avenue Phase 2 located at the Taipingqiao project and THE HUB project in Shanghai, together with various office buildings located in Chongqing as well as the retail podium at Wuhan Tiandi Lots A1/A2/A3. These projects are planned for progressive completion between 2013 to 2015.

The carrying value of Shanghai Langham Xintiandi Hotel, Shanghai 88 Xintiandi Hotel as well as the newly completed Foshan Marco Polo Hotel was RMB2,573 million. These projects were carried at either the original acquisition cost or the construction cost, net of accumulated depreciation.

Carrying value of the remaining commercial-use landbank acquired on or before 2007, was stated at cost of RMB9,137 million.

The table below summarises the carrying value of the investment properties as of 30 June 2012 together with the change in fair value change for 1H2012:

Project	GFA	Increase in fair value for 1H2012	Carrying value as of 30 June 2012	Carrying value per GFA	Valuation Gain to Carrying Value
	sq.m.	RMB million	RMB million	RMB per sq.m.	%
Completed investment properties at valuation					
Shanghai Taipingqiao	212,000	119	13,024	61,400	1%
Shanghai RHXC	47,000	16	996	21,200	2%
Shanghai KIC	169,000	90	4,794	28,400	2%
Wuhan Tiandi	46,000	153	1,111	24,200	14%
Chongqing Tiandi	45,000	55	637	14,200	9%
Foshan Lingnan Tiandi	30,000	16	1,070	35,700	1%
Subtotal	**549,000**	**449**[1]	**21,632**	**39,400**	**2%**
Investment properties under development at valuation					
Shanghai Taipingqiao	157,000	230	5,092	32,400	5%
THE HUB	233,000	156	3,726	16,000	4%
Shanghai KIC	5,000	-	27	5,400	-
Wuhan Tiandi	110,000	218	729	6,600	30%
Chongqing Tiandi	490,000	215	2,312	4,700	9%
Subtotal	**995,000**	**819**	**11,886**	**11,900**	**7%**
Investment properties under development at cost					
Various projects		-	9,137		
Total		**1,268**	**42,655**		

[1] *Valuation gain of RMB49 million from investment properties completed in 1H2012 was recognised during the development stage.*

The table below summarises the carrying value of the hotel properties as of 30 June 2012:

Project	GFA	Carrying value as of 30 June 2012	Carrying value per GFA
	sq.m.	RMB million	RMB per sq.m.
Shanghai Taipingqiao			
Shanghai Langham Xintiandi Hotel	33,000	1,906	57,800
Shanghai 88 Xintiandi Hotel	5,000	96	19,200
Foshan Lingnan Tiandi			
Foshan Marco Polo Hotel	38,000	571	15,000
Total	**76,000**	**2,573**	**33,900**

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

Project	Leasable GFA (sq.m.) Office	Retail	Hotel/ Serviced apart-ments	Total	Occupancy rate 30 June 2012	31 December 2011	31 December 2010	Group's interest
Completed before 2012								
Shanghai Taipingqiao								
Shanghai Xintiandi	5,000	47,000	5,000	57,000	98%	100%	93%	97.0%
Shanghai Xintiandi Style	-	27,000	-	27,000	89%	96%	89%	99.0%
Shanghai Corporate Avenue	76,000	7,000	-	83,000	100%	100%	99%	99.0%
Shanghai Shui On Plaza	30,000	28,000	-	58,000	100%	N/A	N/A	80.0%
Shanghai RHXC								
Phase 1	-	5,000	-	5,000	100%	100%	100%	79.8%
Phase 2	-	28,000	-	28,000	99%	100%	100%	79.0%
Phase 3	-	2,000	-	2,000	58%	39%	N/A	79.0%
Phase 4	-	12,000	-	12,000	74%	N/A	N/A	79.0%
Shanghai KIC			-					
KIC Plaza Phase 1	29,000	21,000	-	50,000	80%	77%	81%	86.8%
KIC Plaza Phase 2	39,000	10,000	-	49,000	81%	79%	17%	86.8%
KIC Village R1 and R2	20,000	11,000		31,000	82%	75%	39%	86.8%
KIC Plaza C2	30,000	12,000	-	42,000	42%	33%	N/A	86.8%
Hangzhou Xihu Tiandi								
Phase 1	-	6,000	-	6,000	100%	100%	100%	100.0%
Wuhan Tiandi								
Wuhan Tiandi (Lot A4-1)	-	16,000	-	16,000	94%	98%	94%	75.0%
Wuhan Tiandi (Lots A4-2 and 3)	-	30,000	-	30,000	84%	91%	70%	75.0%
Chongqing Tiandi								
The Riviera Phase 1	-	2,000	-	2,000	94%	100%	100%	79.4%
The Riviera Phase 2 (Stage 1)	-	2,000	-	2,000	91%	96%	N/A	79.4%
Chongqing Tiandi (Lot B3/01)								
- Phase 1	-	10,000	-	10,000	100%	100%	98%	79.4%
- Phase 2	-	39,000	-	39,000	54%	59%	45%	79.4%
Foshan Lingnan Tiandi								
Lot 1 Phase 1	-	16,000	-	16,000	68%	22%	N/A	100.0%
Dalian Tiandi								
Software office buildings (D22)	42,000	-	-	42,000	90%	91%	65%	48.0%
Ambow training school	113,000	-	-	113,000	100%	100%	N/A	48.0%
Subtotal	**384,000**	**331,000**	**5,000**	**720,000**				
New completion in 1H2012								
Chongqing Tiandi								
The Riviera Phase 2 (Stage 2 and 3)	-	5,000	-	5,000	N/A	N/A	N/A	79.4%
The Riviera Phase 3 (Area A)	-	4,000	-	4,000	N/A	N/A	N/A	79.4%
Foshan Lingnan Tiandi								
Marco Polo Hotel (Lot D)	-	14,000	38,000	52,000	N/A	N/A	N/A	100.0%
Dalian Tiandi								
Software office buildings (D14 - SO2/SO4)	52,000	-	-	52,000	N/A	N/A	N/A	48.0%
Subtotal	**52,000**	**23,000**	**38,000**	**113,000**				
Total leasable GFA	**436,000**	**354,000**	**43,000**	**833,000**				
Investment property held by:								
- Subsidiaries of the Group	229,000	354,000	43,000	626,000				
- Associated companies	207,000	-	-	207,000				
As of 30 June 2012	**436,000**	**354,000**	**43,000**	**833,000**				
As of 31 December 2011	**356,000**	**303,000**	**5,000**	**664,000**				

Note: Hotels and self-used properties are classified as property, plant and equipment in the condensed financial statements.

Proposed China Xintiandi Spin-off

On 28 May 2012, the Group announced its plans to dispose part of Shui On Land’s interest in China Xintiandi Limited (formerly China Xintiandi Company Limited) (“China Xintiandi”), a wholly owned subsidiary of Shui On Land, by way of a separate listing of the shares of China Xintiandi on the Main Board of the Hong Kong Stock Exchange and global offering (the “Proposed China Xintiandi Spin-off”) and has submitted a listing application to the Hong Kong Stock Exchange for the shares of China Xintiandi in connection with the Proposed China Xintiandi Spin-off.

China Xintiandi is positioned to be the premier commercial property company of the Group, focusing principally on managing, designing, leasing, marketing, enhancing and redeveloping premium retail, office, entertainment and hotel properties in affluent urban areas in the PRC.

There is no assurance that the Proposed China Xintiandi Spin-off will take place or as to when it may take place. The Proposed China Xintiandi Spin-off is subject to, among other factors, the approval by the Listing Committee of the Hong Kong Stock Exchange, the prevailing market conditions, the final decisions of the board of directors of Shui On Land, of the board of directors of China Xintiandi, the approval of the shareholders of Shui On Land and ultimately its timing will be dependent on prevailing market conditions.

Cooperation and Partnership

The Group will continue to seek appropriate strategic partners to co-develop projects. This strategy allows the Group to tap the expertise of our strategic partners, accelerate returns from our projects, diversify risks and enhance cash flow. On 22 August 2012, the Group entered into a sale and purchase agreement with Mitsui Fudosan Residential Co., Ltd. (“Mitsui”) for the co-development of Lots 6 and 16 of Foshan Lingnan Tiandi with an estimated aboveground GFA of approximately 62,000 sq.m.. Under the sale and purchase agreement, Mitsui agreed conditionally to purchase 44.1% effective interest in Lots 6 and 16 of Foshan Lingnan Tiandi with a total cash consideration of approximately RMB224 million.

Property Development - Accelerating Development

To accomplish the "Three-Year Plan" initiatives set in 2009, the Group has been expediting the development of various projects. The table below summarises the projects that were completed in 1H2012 and are planned for completion in 2H2012:

Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
Property delivered in 1H2012							
Chongqing Tiandi	86,000	-	9,000	-	95,000	33,000	128,000
Foshan Lingnan Tiandi	-	-	14,000	38,000	52,000	25,000	77,000
Dalian Tiandi[1]	58,000	52,000	-	-	110,000	63,000	173,000
Total	**144,000**	**52,000**	**23,000**	**38,000**	**257,000**	**121,000**	**378,000**
Plan for delivery in 2H2012							
Shanghai Taipingqiao	-	-	1,000	33,000	34,000	19,000	53,000
Wuhan Tiandi	66,000	-	1,000	-	67,000	18,000	85,000
Chongqing Tiandi	89,000	299,000	78,000	-	466,000	166,000	632,000
Foshan Lingnan Tiandi	67,000	-	27,000	8,000	102,000	32,000	134,000
Dalian Tiandi[1]	40,000	36,000	-	-	76,000	35,000	111,000
Total	**262,000**	**335,000**	**107,000**	**41,000**	**745,000**	**270,000**	**1,015,000**

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

As a cautionary note, the actual completion date depends on and will be affected by construction progress, changes in the market environments, changes in government regulations and other factors.

Shanghai Taipingqiao
The acquisition of Shanghai Shui On Plaza and Langham Xintiandi Hotel was completed in March 2012. The two properties have been contributing stable income to the Group since mid March of 2012.

Corporate Avenue Phases 2 and 3 consist of two land parcels, namely Lot 126 and Lot 127. Relocation of Lot 126 with a total GFA of 73,000 sq.m. was completed in 2011. Substantial construction works of the foundation and under-ground space for the development were completed as of 30 June 2012. This property is to be developed into a Grade A office tower with a retail podium, scheduled for completion in 2013. The relocation cost has been settled in full. Lot 127 with a total GFA of 83,000 sq.m. was 96% relocated and is expected to be fully relocated by the end of 2012. Please refer to the section "*Relocation progress*" for more details.

Shanghai Rui Hong Xin Cheng
Residential Phase 5 (Lot 6) is under construction, with planned residential GFA of 116,000 sq.m. and retail GFA of 18,000 sq.m.. It is scheduled for presale from December 2012 through the end of 2013 and is scheduled for completion in 2014. The Group has a 99% and a 79% effective interest in the residential portion and retail portion respectively.

Shanghai KIC
The Jiangwan Regency (Lot 311 Phase 1) with GFA of 49,000 sq.m. is under construction. The pre-sale launch is planned for 2H2012. It is scheduled for delivery in 2013. The remaining area of Lot 311, designated for office, retail and hotel use, is currently under development, with delivery planned for 2014.

THE HUB
THE HUB, located in the business centre of Shanghai Hongqiao Transportation Hub, is set to become a mixed-use development. Its name, "THE HUB" clearly reflects the Group's vision for its development. THE HUB is positioned as the centre of everything: The destination for business, lifestyle experience as well as a performance venue for art, musical and opera shows. THE HUB incorporates 75,000 sq.m. of GFA, comprising office space, entertainment and restaurant facilities that are planned for completion in 2013. A shopping mall with 103,000 sq.m. of GFA is also on the 2013 completion schedule. The remaining 99,000 sq.m., which includes office space, entertainment space and a 5-star hotel with a total GFA of 44,000 sq.m. in the second stage of the development is planned for completion in 2014.

Wuhan Tiandi
The Regal Riverview Phase 1, located at Site B of Wuhan Tiandi, consists of Lot B9 and Lot B11. Phase 1 construction is underway. Since early 2012, two rounds of new launches of residential apartments in Lot B9 of Site B have been conducted. The remaining towers of Lot B9 and new launches in Lot B11 are scheduled for 2H2012. The total GFA of Lots B9 and B11 is 122,000 sq.m. with delivery in 2012 and 2013.

Construction works now in progress at Lots A1/A2/A3 retail podium, are planned to yield a total GFA of 110,000 sq.m. with completion expected to be in 2014. Construction work at The Regal Riverview Phase 2 (Lot B13) is making good headway, with a total GFA of 56,000 sq.m. and is planned to come on stream for residential pre-sale in 2013 and for delivery in 2014.

Chongqing Tiandi
A portion of The Riviera Phase 2 (Lot B2) and Phase 3 (Lot B19) Stage 1 was sold and delivered to customers in 1H2012. The remaining portions of Phase 2 and Phase 3 are currently available for sale and are planned for delivery to customers in 2H2012. Phase 4 (Lot B20-5), with a total GFA of 83,000 sq.m., is expected to be partially launched for pre-sale in the second half of 2012 with delivery from 2012 to 2013.

For the commercial cluster area, a total GFA of 495,000 sq.m. of office buildings including the Super High-rise (Lot B11-1/02) Phase 1 and a few Grade A office buildings (Lots B12-1, B12-3, B12-4 and B13) together with the connected retail podium with a total GFA of 159,000 sq.m. are currently under development. Super High-rise Phase 1, Lot B12-1, together with a portion of Lot B12-3 and Lot B12-4 are scheduled for delivery in 2H2012. The remaining area under development is earmarked for progressive completion from 2013 to 2014.

Foshan Lingnan Tiandi
Completed in 1H2012, Foshan Marco Polo Hotel is located on Lot D of the Foshan Lingnan Tiandi with a total GFA of 38,000 sq.m. for hotel use and 14,000 sq.m. for retail use.

Townhouses at The Legendary Phase 2 (Lot 15) and low-rise apartments at The Regency Phase 2 (Lot 5) were launched for pre-sale in February and July 2012, respectively. Delivery is scheduled in 2H2012.

Development work is in progress at Lots E, 6, 16 and 18, where a total GFA of 254,000 sq.m. will accommodate residential and retail space. The development is scheduled to be progressively completed from 2013 to 2015.

Dalian Tiandi
A total GFA of 110,000 sq.m. of offices and apartments at Huangnichuan were completed in 1H2012. Another 40,000 sq.m. of residential GFA at Huangnichuan is planned to be delivered in the second half of 2012.

Relocation progress

Shanghai Taipingqiao
Corporate Avenue Phase 3 (Lot 127) with 83,000 sq.m. GFA is under relocation and 96% of the residents have signed relocation agreements. It is planned to be developed into office and retail space. The estimated outstanding relocation cost was RMB88 million as of 30 June 2012. The Group has a 99% interest in the development.

Lakeville Phase 4 (Lot 116) has a total residential GFA of 90,000 sq.m. and is under relocation. RMB2,746 million of the relocation cost has been paid as of 30 June 2012. The sites are scheduled to be delivered to the Company from 2012 to 2013. As of 30 June 2012, the second round of consultations for stage 1 relocation were successfully concluded with 82% of the households having signed relocation agreements. The Group has a 50% interest in the development.

As of 30 June 2012, RMB5,307 million has been paid for Lots 126, 127 and 116. The balance of the relocation cost is scheduled to be paid according to the actual relocation progress and site delivery.

Relocation plans for Lots 118, 119, 120, 122, 123, 124 and 132 with a total planned GFA of 496,000 sq.m. have yet to be determined. The relocation plans of these sites are subject to final proposal and agreement terms among relevant parties.

Shanghai Rui Hong Xin Cheng
Lots 2, 3, 9 and 10 collectively have a planned total GFA of 569,000 sq.m.. The second round of relocation consultations achieved relocation agreements with 76%, 84%, 82% and 77%, respectively of households. Lot 3 and stage 1 of Lot 2 are undergoing the legal and arbitration procedures for site reclamation. These sites are scheduled to be delivered to the Group for development from 2012 to 2013. The plan is to develop these sites for the construction of residential apartments, office buildings and retail shopping centres. The Group has a 79% interest in the sites.

As of 30 June 2012, RMB4,974 million had been paid for Lots 2, 3, 9 and 10. The balance of the relocation cost is estimated to be paid according to the actual relocation progress and site delivery.

Relocation plans and timetables for Lots 1, 7 and 167 with a total planned GFA of 500,000 sq.m. have yet to be determined. The relocation plans of these sites are subject to final proposal and agreement terms among relevant parties.

Details of the relocation progress for the respective lots are provided below:

Project	Percentage of relocation as of 30 June 2012	Leasable and saleable GFA	Relocation cost paid as of 30 June 2012	Estimated outstanding relocation cost as of 30 June 2012	Estimated relocation completion year
		sq.m.	RMB'million	RMB'million	
Shanghai Taipingqiao					
Lot 126	100%	73,000	1,109	-	2011
Lot 127	96%	83,000	1,452	88	2012
Lot 116 Phase 1/ Phase 2	82%/0%	90,000	2,746	327	2013
Subtotal		**246,000**	**5,307**	**415**	
Shanghai RHXC					
Lot 6	100%	134,000	1,994	-	2011
Lot 3	84%	72,000	1,377	379	2012
Lot 9	82%	84,000	1,232	700	2013
Lot 2	76%	105,000	1,076	783	2013
Lot 10	77%	308,000	1,289	1,873	2013
Subtotal		**703,000**	**6,968**	**3,735**	
Total		**949,000**	**12,275**	**4,150**	

As a cautionary note, factors such as market environments and changes in government regulations play a part in determining and may affect the actual relocation cost and progress.

Landbank

As of 30 June 2012, the Group's landbank, including the contribution of its Dalian associates, stood at a GFA of 13.3 million (a total of 11.1 million sq.m. of leasable and saleable area, and a total GFA of 2.2 million sq.m. for clubhouses, car parking spaces and other facilities) spread across nine development projects located in the prime areas of six major PRC cities: Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian.

Of the total leasable and saleable GFA of 11.1 million sq.m., 960,000 sq.m. were completed, and held for sale and/or investment purposes. Approximately 4.1 million sq.m. were under development, and the remaining 6.0 million sq.m. held for future development.

The Group's total landbank as of 30 June 2012, 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	1,000	111,000	109,000	5,000	**226,000**	86,000	**312,000**	99.0%[1]
Shanghai RHXC	-	-	47,000	-	**47,000**	60,000	**107,000**	79.0%[2]
Shanghai KIC	-	118,000	54,000	-	**172,000**	105,000	**277,000**	86.8%
Hangzhou Xihu Tiandi	-	-	6,000	-	**6,000**	-	**6,000**	100.0%
Wuhan Tiandi	1,000	-	46,000	-	**47,000**	31,000	**78,000**	75.0%
Chongqing Tiandi	69,000	-	62,000	-	**131,000**	115,000	**246,000**	79.4%
Foshan Lingnan Tiandi	4,000	-	30,000	38,000	**72,000**	40,000	**112,000**	100.0%
Dalian Tiandi	52,000	207,000	-	-	**259,000**	82,000	**341,000**	48.0%[3]
Subtotal	127,000	436,000	354,000	43,000	**960,000**	519,000	**1,479,000**	
Properties under development:								
Shanghai Taipingqiao	90,000	105,000	52,000	33,000	**280,000**	97,000	**377,000**	99.0%[1]
Shanghai RHXC	116,000	-	18,000	-	**134,000**	52,000	**186,000**	79.0%[2]
Shanghai KIC	49,000	97,000	4,000	14,000	**164,000**	79,000	**243,000**	99.0%[4]
THE HUB	-	105,000	128,000	44,000	**277,000**	110,000	**387,000**	100.0%
Wuhan Tiandi	120,000	252,000	112,000	41,000	**525,000**	150,000	**675,000**	75.0%
Chongqing Tiandi	337,000	754,000	270,000	25,000	**1,386,000**	408,000	**1,794,000**	79.4%[5]
Foshan Lingnan Tiandi	251,000	-	105,000	8,000	**364,000**	141,000	**505,000**	100.0%[6]
Dalian Tiandi	551,000	189,000	243,000	33,000	**1,016,000**	360,000	**1,376,000**	48.0%[3]
Subtotal	1,514,000	1,502,000	932,000	198,000	**4,146,000**	1,397,000	**5,543,000**	
Properties for future development:								
Shanghai Taipingqiao	166,000	174,000	118,000	38,000	**496,000**	44,000	**540,000**	99.0%
Shanghai RHXC	535,000	272,000	252,000	10,000	**1,069,000**	12,000	**1,081,000**	79.0%[2]
Wuhan Tiandi	424,000	35,000	92,000	10,000	**561,000**	4,000	**565,000**	75.0%
Chongqing Tiandi	780,000	25,000	91,000	78,000	**974,000**	218,000	**1,192,000**	79.4%
Foshan Lingnan Tiandi	379,000	450,000	125,000	80,000	**1,034,000**	28,000	**1,062,000**	100.0%
Dalian Tiandi	529,000	936,000	362,000	49,000	**1,876,000**	8,000	**1,884,000**	48.0%[3]
Subtotal	2,813,000	1,892,000	1,040,000	265,000	**6,010,000**	314,000	**6,324,000**	
Total landbank GFA	**4,454,000**	**3,830,000**	**2,326,000**	**506,000**	**11,116,000**	**2,230,000**	**13,346,000**	

1 *The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, Lot 116, Shui On Plaza and Langham Xintiandi Hotel, in which the Group has 97.0%, 50.0%, 80.0% and 66.7% effective interests, respectively.*

2 *The Group has a 79.8% interest in Phase 1, Lot 167A and Lot 167B of Shanghai Rui Hong Xin Cheng project, a 99.0% interest in the non-retail portion of Lot 6 (Phase 5) and a 79.0% interest in all remaining phases.*

3 *Dalian Tiandi is expected to have a landbank of 3.6 million sq.m. in GFA. As of 30 June 2012, approximately 3.3 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. is expected to be acquired through public bidding in due course.*

4 *The Group has a 99.0% and a 86.8% interest respectively in KIC Lot 311 and KIC Lot 12-8.*

5 *The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 in which the Group has a 59.5% effective interest. The development of super high rise office towers is planned for Lot B11-1/02.*

6 *The Group has a 100.0% interest in Foshan Lingnan Tiandi, except for Lot 18. The Group and Mitsui Fudosan Residential Co., Ltd. ("Mitsui") entered into a sale and purchase agreement on 29 November 2011, pursuant to which the Group agreed conditionally to sell and Mitsui agreed conditionally to purchase a 49.0% equity interest of the entire issued share capital of Value Land Investment Limited ("Value Land") and the related shareholder's loan, in two tranches for a total cash consideration of approximately RMB391million. Value Land indirectly owns 92.0% of Foshan Yong Rui Tian Di Property Development Co. Limited ("Foshan Yong Rui"), which owns the land known as Lot 18 of the Foshan Lingnan Tiandi project with an estimated leasable and saleable aboveground GFA of approximately 108,400 sq.m.. Upon completion of this acquisition, Mitsui will be entitled to 45.08% attributable interest in Foshan Yong Rui.*

MARKET OUTLOOK

Global economic recovery remained fragile during 1H2012, as the Eurozone struggled to deal with its sovereign debt issues and the US's economic prospects remained uncertain. As exports slowed, China's reported GDP growth dropped to 7.6% year on year in the second quarter from 8.1% in the first quarter of 2012, prompting the government to loosen economic policy to support growth. Consumer price inflation slowed to 2.2% in June, the slowest pace in 29 months, providing room for the People's Bank of China to lower benchmark interest rates twice, in June and July. The current package of economic support policies is designed to stabilise the economy against slowing exports and to ensure the full-year official target of 7.5% GDP growth is met.

Despite economic growth concerns rising to the fore, the government has not wavered in maintaining its residential purchase restriction policy. However, commercial banks have been instructed to ensure that mortgages are available for creditworthy first-time homebuyers; and some banks now offer discounted lending rates for eligible buyers of up to 15% below the benchmark interest rate. This policy has improved market sentiment and helped to unleash pent-up demand. As a result, the number of cities registering property price increases rose from 6 in May 2012 to 25 in June 2012. Likewise, housing sales volume has followed an upward trend. The average monthly commodity residential property sales volume for 20 representative cities[1] reached 10.5 million sq.m. in the first half of 2012, 16% higher than the monthly average for 2011.

The outlook for China's commercial property remains positive overall, despite slowing exports and foreign direct investment. Chinese banks and insurance companies have sought to purchase office buildings for their own use, or for investment in financial centres such as Shanghai and Wuhan. According to Jones Lang LaSalle, domestic tenants leased more Grade A office floor space in Shanghai Pudong than international tenants during the first quarter. Rapid urbanisation, the emergence of a middle class and the completion of modern retail facilities will support consumer demand for retail property and lifestyle hubs in cities where we have projects under development, namely Shanghai, Chongqing, Wuhan, Foshan and Dalian.

Shanghai will continue to be a preferred destination for commercial real estate investment as the city moves forward to achieve its goal to be a global yuan trading, pricing, clearing and innovation hub by 2015. Currently, little space is available in the core CBDs where the vacancy rate is below 6%. The supply shortage drove up average rents by 11.4% year on year to RMB8.9 per sq.m. per day in the first quarter of 2012. Shanghai's prime retail market is also robust, with a vacancy rate of 1.6% in the first quarter and 67% of the 550,000 sq.m. 2012 pipeline supply already pre-committed to tenants, according to Jones Lang LaSalle.

Chongqing is determined to cement its role as the leading economic hub of Western China by developing an export manufacturing base and attracting a critical mass of business and financial service firms. In 1H2012, Chongqing's foreign trade volume rose by 170% year on year, thanks to competitive labour costs, improved transport infrastructure and the rapid growth of a laptop manufacturing cluster. Meanwhile, Yuzhong District has launched preferential policies to promote service sector development, which include a reduction in the business tax from 25% to 15%, and a 40% personal income tax rebate for senior management of service firms in the district. These policies should help spur demand for Grade A office space in Yuzhong District, where our Chongqing Tiandi project is located.

Wuhan's burgeoning regional service hub role within Central China is reflected in growing air passenger demand. This has led to the decision to expand Wuhan Tianhe International Airport by building an additional terminal and runway by 2015. Development of Wuhan's priority industries - including financial services, exhibition and maritime - will drive demand for the city's office and retail property. Office rental growth in Wuhan is expected to exceed 15% in 2012, after registering 20% growth in 2011.

Foshan's retail property market is benefiting from strong growth in tourism, as the number of visitors to the city rose by 16.9% to 32.9 million in 2011. Tourism revenue growth was even higher, at 28.2% in 2011 – indicating higher spending per visitor. To achieve targeted tourism revenue growth of RMB40.7 billion by 2015, the city is investing in resort projects such as the national-level West Bank Tourism Park, which contains a cluster of hotels, villas, health spas and a Taoist cultural area. Foshan's Grade A office demand will be supported by an influx of foreign direct investment, which rose by 42.5% year on year to USD0.7 billion in the first quarter of 2012.

[1] Based on a market survey undertaken by the China Real Estate Index System

Dalian’s software and service outsourcing revenue is expected to grow by 30% to RMB92 billion in 2012, while the sector’s export value is expected to increase by 22% to USD2.8 billion. Dalian’s competitive advantage in this sector is based on its large pool of Japanese and Korean speaking workers, convenient air links to Japan and South Korea and the city’s pleasant living environment. Dalian is climbing up the value-added ladder with an increased focus on knowledge process outsourcing and financial services outsourcing. Businesses located in highly livable masterplanned knowledge communities such as Dalian Tiandi will find it easier to attract skilled workers needed for outsourcing activities.

We believe that our mixed-use property development model is a competitive strength that provides risk diversification and flexibility in China’s rapidly developing real estate market. Our centrally located community developments in major city cores, where developable land is scarce, can command premium prices. Our commercial properties at Xintiandi-styled and transport hub developments will benefit from growing middle-class wealth and improved regional integration resulting from the new high-speed rail network, as well as government policies which aim to increase household consumption and speed up service sector development.

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 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30 June 2012 (Unaudited)**		Six months ended 30 June 2011 (Unaudited)	
		HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Turnover					
- The Group	*4*	**2,023**	**1,643**	2,132	1,788
- Share of associates		**246**	**200**	175	147
		2,269	**1,843**	2,307	1,935
Turnover of the Group	*4*	**2,023**	**1,643**	2,132	1,788
Cost of sales		**(1,115)**	**(906)**	(1,146)	(961)
Gross profit		**908**	**737**	986	827
Other income		**135**	**110**	180	151
Selling and marketing expenses		**(79)**	**(64)**	(81)	(68)
General and administrative expenses		**(467)**	**(379)**	(347)	(291)
Operating profit	*5*	**497**	**404**	738	619
Increase in fair value of investment properties		**1,561**	**1,268**	788	661
Gain on acquisition of subsidiaries		**62**	**50**	-	-
Share of results of associates		**2**	**2**	116	97
Finance costs, inclusive of exchange differences	*6*	**(300)**	**(244)**	(61)	(51)
Profit before taxation		**1,822**	**1,480**	1,581	1,326
Taxation	*7*	**(630)**	**(512)**	(533)	(447)
Profit for the period		**1,192**	**968**	1,048	879
Attributable to:					
Shareholders of the Company		**1,016**	**825**	935	784
Non-controlling interests		**176**	**143**	113	95
		1,192	**968**	1,048	879
Earnings per share	*9*				
Basic		**HK$0.18**	**RMB0.15**	HK$0.18	RMB0.15
Diluted		**HK$0.17**	**RMB0.14**	HK$0.16	RMB0.13

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2012 (Unaudited)		Six months ended 30 June 2011 (Unaudited)	
	HK$'million *(Note 2)*	**RMB'million**	HK$'million *(Note 2)*	RMB'million
Profit for the period	**1,192**	**968**	1,048	879
Other comprehensive income (expense)				
Exchange difference arising on translation of foreign operations	**(15)**	**(12)**	2	2
Fair value adjustments on interest rate swaps designated as cash flow hedges	**22**	**18**	4	3
Net adjustment of hedge reserve reclassified to profit or loss upon early termination of interest rate swaps	**(7)**	**(6)**	-	-
Other comprehensive income for the period	**-**	**-**	6	5
Total comprehensive income for the period	**1,192**	**968**	1,054	884
Total comprehensive income attributable to:				
Shareholders of the Company	**1,016**	**825**	941	789
Non-controlling interests	**176**	**143**	113	95
	1,192	**968**	1,054	884

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 RMB'million (Uuaudited)**	31 December 2011 RMB'million (Audited)
Non-current assets			
Investment properties		**42,655**	36,395
Property, plant and equipment		**3,648**	1,079
Prepaid lease payments		**495**	500
Interests in associates		**1,059**	1,057
Loans to associates		**1,533**	1,366
Accounts receivable	*10*	**95**	86
Pledged bank deposits		**1,010**	1,143
Deferred tax assets		**136**	154
		50,631	41,780
Current assets			
Properties under development for sale		**20,014**	17,247
Properties held for sale		**1,038**	987
Accounts receivable, deposits and prepayments	*10*	**2,157**	2,503
Loans receivable		**-**	152
Amounts due from associates		**519**	446
Amounts due from related parties		**226**	212
Amounts due from non-controlling shareholders of subsidiaries		**65**	50
Pledged bank deposits		**982**	1,369
Restricted bank deposits		**303**	335
Bank balances and cash		**2,901**	3,523
		28,205	26,824
Current liabilities			
Accounts payable, deposits received and accrued charges	*11*	**6,904**	5,068
Amounts due to related parties		**734**	368
Amounts due to associates		**9**	5
Amounts due to non-controlling shareholders of subsidiaries		**495**	404
Tax liabilities		**1,097**	1,855
Bank borrowings – due within one year		**6,385**	8,774
Dividend payable		**473**	-
		16,097	16,474
Net current assets		**12,108**	10,350
Total assets less current liabilities		**62,739**	52,130

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Notes	**30 June 2012 RMB'million (Unaudited)**	31 December 2011 RMB'million (Audited)
Capital and reserves			
Share capital	*12*	**112**	102
Reserves		**29,771**	27,843
Equity attributable to shareholders of the Company		**29,883**	27,945
Non-controlling interests		**2,531**	1,526
Total equity		**32,414**	29,471
Non-current liabilities			
Bank and other borrowings – due after one year		**9,981**	7,969
Convertible bonds		**2,284**	2,225
Notes		**10,857**	6,520
Derivative financial instruments designated as hedging instruments		**59**	150
Loans from non-controlling shareholders of subsidiaries		**2,390**	2,078
Deferred tax liabilities		**4,747**	3,710
Defined benefit liabilities		**7**	7
		30,325	22,659
Total equity and non-current liabilities		**62,739**	52,130

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 Financial Reporting Standards.

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$1.231 for the six months ended 30 June 2012 and RMB1.000 to HK$1.192 for the six months ended 30 June 2011, 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 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 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except as described below.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. Principal Accounting Policies - continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

Application of amendments to International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs:

Amendments to IFRS 7	Disclosures - Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

Under the amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties, which are located in the People's Republic of China ("PRC"), are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to IAS 12 is rebutted. Accordingly, the application of the amendments to IAS 12 does not have significant impact on the results and financial positions of the Group.

The application of the above amendments to 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.

4. Turnover and Segmental Information

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

	Six months ended 30 June 2012 (Unaudited)			Six months ended 30 June 2011 (Unaudited)		
	Group	**Share of associates**	**Total**	Group	Share of associates	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Property development:						
Property sales	**1,062**	**187**	**1,249**	1,356	144	1,500
Property investment:						
Rental income received from investment properties	**446**	**13**	**459**	354	3	357
Income from hotel operations	**65**	**-**	**65**	7	-	7
Property management fee income	**18**	**-**	**18**	19	-	19
Rental related income	**34**	**-**	**34**	25	-	25
	563	**13**	**576**	405	3	408
Others	**18**	**-**	**18**	27	-	27
Total	**1,643**	**200**	**1,843**	1,788	147	1,935

For management purposes, the Group is organised based on its business activities, 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, mainly residential units
Property investment - offices and retail shops letting, property management and hotel operations

4. Turnover and Segmental Information - continued

	Six months ended 30 June 2012 (Unaudited)			
	Property development RMB'million	**Property investment RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
SEGMENT REVENUE				
Turnover of the Group	**1,062**	**563**	**18**	**1,643**
Share of turnover of associates	**187**	**13**	**-**	**200**
Total segment revenue	**1,249**	**576**	**18**	**1,843**
RESULTS				
Segment results of the Group	**191**	**1,551**	**12**	**1,754**
Interest income				**99**
Gain on acquisition of subsidiaries				**50**
Share of results of associates				**2**
Finance costs, inclusive of exchange differences				**(244)**
Net unallocated expenses				**(181)**
Profit before taxation				**1,480**
Taxation				**(512)**
Profit for the period				**968**

	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 segment revenue	1,500	408	27	1,935
RESULTS				
Segment results of the Group	446	913	21	1,380
Interest income				74
Share of results of associates				97
Finance costs, inclusive of exchange differences				(51)
Net unallocated expenses				(174)
Profit before taxation				1,326
Taxation				(447)
Profit for the period				879

Segment revenue represents the turnover of the Group and the share of turnover of associates.

Segment profit represents the profit earned by each segment without allocation of central administration costs, Directors' salaries, interest income, gain on acquisition of subsidiaries, share of results of associates, finance costs and exchange differences. This is the measure reported to the chief operating decision makers that are the Executive Directors of the Company for the purpose of resource allocation and performance assessment.

5. Operating Profit

	Six months ended 30 June	
	2012	2011
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Operating profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**59**	31
Release of prepaid lease payments	**5**	5
Less: Amount capitalised to property, plant and equipment	**(4)**	(4)
	1	1
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and allowances	**22**	11
Retirement benefits costs	**1**	2
Share-based payment expenses	**2**	1
	26	15
Other staff costs		
Salaries, bonuses and allowances	**233**	195
Retirement benefits costs	**13**	10
Share-based payment expenses	**6**	12
	252	217
Total employee benefits expenses	**278**	232
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(81)**	(52)
	197	180
Cost of properties sold recognised as an expense	**711**	846
Rental charges under operating leases	**29**	20
Interest income	**(99)**	(74)

6. Finance Costs, Inclusive of Exchange Differences

	Six months ended 30 June 2012 RMB'million (Unaudited)	2011 RMB'million (Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	**476**	378
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years	**75**	78
Imputed interest on loan from a non-controlling shareholder of a subsidiary	**5**	-
Interest on convertible bonds	**120**	114
Interest on notes	**410**	232
Net interest expenses from interest rate swaps designated as cash flow hedge	**45**	71
Total interest costs	**1,131**	873
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(1,018)**	(746)
Interest expense charged to condensed consolidated income statement	**113**	127
Net exchange loss (gain) on bank borrowings and other financing activities	**68**	(103)
Others	**63**	27
	244	51

Borrowing costs capitalised during the six months ended 30 June 2012 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 7.7% (for the six months ended 30 June 2011: approximately 7.3%) per annum to expenditure on the qualifying assets.

7. Taxation

	Six months ended 30 June 2012 RMB'million (Unaudited)	2011 RMB'million (Unaudited)
PRC Enterprise Income Tax	**156**	116
Deferred taxation	**321**	241
PRC Land Appreciation Tax	**35**	90
	512	447

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 for at the applicable income tax rate of 25% (for the six months ended 30 June 2011: 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	
	2012	2011
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
2011 Final dividend declared (2011: 2010 final dividend declared and paid)	**473**	220
Interim dividend declared in respect of 2012 of HK$0.025 (2011: HK$0.025) per share	**122**	107

Subsequent to the end of the interim period, the Board has declared the payment of HK$0.025 (equivalent to RMB0.020) (2011: HK$0.025 (equivalent to RMB0.021)) per share as the interim dividend in respect of 2012.

In June 2012, a final dividend in respect of 2011 of HK$0.10 (equivalent to RMB0.08) per share was approved by the shareholders of the Company at the annual general meeting on 7 June 2012. The 2011 final dividend was paid on 18 July 2012 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. 70.5% of the shareholdings elected to receive shares in lieu of cash dividends at share price of HK$3.176 per share and accordingly, 129,436,566 new and fully paid shares were issued. These new shares rank pari passu to the existing shares of the Company.

In October 2011, an interim dividend in respect of 2011 of HK$0.025 (equivalent to RMB0.021) per share was paid to the shareholders of the Company.

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.

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	
	2012	2011
	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	**825**	784

	Six months ended 30 June	
	2012	2011
	'million	'million
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,391**	5,212
Effect of dilutive potential shares:		
Convertible bonds	**669**	662
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,060**	5,874

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Basic earnings per share *(note (b))*	**RMB0.15**	RMB0.15
	HK$0.18	HK$0.18
Diluted earnings per share *(note (b))*	**RMB0.14**	RMB0.13
	HK$0.17	HK$0.16

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 2012 and 30 June 2011.

(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$1.231 for the six months ended 30 June 2012 and RMB1.000 to HK$1.192 for the six months ended 30 June 2011, being the average exchange rates that prevailed during the respective periods.

10. Accounts Receivable, Deposits and Prepayments

	30 June 2012 RMB'million (Unaudited)	31 December 2011 RMB'million (Audited)
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	**95**	86
Current accounts receivable comprise:		
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	**228**	401
Past due within 30 days	**27**	32
Past due 31 - 60 days	**2**	23
Past due 61 - 90 days	**-**	1
Past due over 90 days	**10**	1
	267	458
Prepayments of relocation costs *(Note)*	**1,457**	1,815
Other deposits, prepayments and receivables	**433**	230
	2,157	2,503

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.

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant 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 2012 RMB'million (Unaudited)	31 December 2011 RMB'million (Audited)
Trade payables with aging analysis (based on invoice date):		
0 - 30 days	**2,284**	2,519
31 - 60 days	**19**	4
61 - 90 days	**11**	5
Over 90 days	**11**	11
	2,325	2,539
Retention payables *(note (a))*	**330**	224
Deed tax, business tax and other tax payables	**325**	397
Deposits received and receipt in advance from property sales	**3,063**	1,080
Deposits received and receipt in advance in respect of rental of investment properties	**310**	259
Deposit received in respect of partial disposal of equity interests in subsidiaries *(note (b))*	**352**	352
Accrued charges	**199**	217
	6,904	5,068

Note:

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

(b) Pursuant to a sales and purchase agreement dated 29 November 2011 entered into between Shui On Development (Holding) Limited ("SOD", a wholly owned subsidiary of the Company) and Mitsui Fudosan Residential Co., Ltd. ("Mitsui", a non-controlling shareholder of an associate's subsidiary), SOD agreed to dispose of, and Mitsui agreed to acquire from SOD, SOD's 49% equity interests in relation to Value Land Investment Limited ("Value Land", an indirect wholly owned subsidiary of the Company which engages in the property development in Foshan, the PRC), for a consideration of RMB391 million. An amount of RMB352 million was received in December 2011 and the remaining balance of RMB39 million would be received upon completion of the transaction pursuant to the terms of the sales and purchase agreement. Upon completion of the transaction, the Group will hold 51% equity interest in Value Land and still have control over Value Land.

12. Share Capital

Ordinary shares of US$0.0025 each	Authorised Number of shares	Authorised US$'000	Issued and fully paid Number of shares	Issued and fully paid US$'000
At 1 January 2011 and 30 June 2011	12,000,000,000	30,000	5,211,587,981	13,029
At 1 January 2012	**12,000,000,000**	**30,000**	**5,211,587,981**	**13,029**
Issue of new shares for the acquisition of equity interests in subsidiaries	**-**	**-**	**626,909,643**	**1,567**
At 30 June 2012	**12,000,000,000**	**30,000**	**5,838,497,624**	**14,596**

	30 June 2012 RMB'million (Unaudited)	31 December 2011 RMB'million (Audited)
Shown in the condensed consolidated statement of financial position as	**112**	102

Financial Review

Turnover of the Group and associates for the six months ended 30 June 2012 was RMB1,843 million (2011: RMB1,935 million), composed of turnover from subsidiaries of RMB1,643 million (2011: RMB1,788 million) and the proportionate share of the turnover from our Dalian associates of RMB200 million (2011: RMB147 million).

Property sales for the six months ended 30 June 2012 amounted to RMB1,249 million (2011: RMB1,500 million), composed of property sales by subsidiaries of RMB1,062 million (2011: RMB1,356 million) and the proportionate share of RMB187 million (2011: RMB144 million) from our Dalian associates. A decrease in GFA delivered to customers from 54,800 sq.m. to 51,800 sq.m. produced a corresponding reduction in sales of RMB294 million. The Business Review Section provides a detailed "Property Sales" overview of the six months ended 30 June 2012.

Rental and other related income from investment properties of the Group rose by 34% to RMB581 million (2011: RMB432 million), mainly due to the contribution of rental income and income from hotel operations following the completed acquisition of Shanghai Shui On Plaza and Shanghai Langham Xintiandi Hotel on 16 March 2012.

Gross profit for the six months ended 30 June 2012 declined to RMB737 million (2011: RMB827 million) but gross profit margin stood at 45% (2011: 46%).

Other income decreased by 27% to RMB110 million (2011: RMB151 million), principally due to a decrease in consultancy fee income of RMB69 million. The decrease was partly offset by the increase in interest income of RMB25 million to RMB99 million (2011: RMB74 million).

Selling and marketing expenses declined slightly by 6% to RMB64 million (2011: RMB68 million), a corresponding result of the decrease in property sales during 1H2012.

General and administrative expenses increased by 30% to RMB379 million (2011: RMB291 million). Contributing factors included increased depreciation expenses of Shanghai Langham Xintiandi Hotel and Foshan Marco Polo Hotel, higher rental expenses as a result of the relocation of our Wuhan project office, general inflation on staff costs and operational overhead.

Operating profit was 35% lower at RMB404 million (2011: RMB619 million), a composite effect of the various items outlined above.

Increase in fair value of investment properties increased by 92% to RMB1,268 million (2011: RMB661 million), of which RMB400 million (2011: RMB421 million) was derived from completed investment properties and RMB868 million (2011: RMB240 million) was from investment properties under construction or development. The paragraph headed "Investment Property" in the Business Review Section offers a detailed description of these properties.

Gain on acquisition of subsidiaries amounting to RMB50 million (2011: nil) arose from the acquisition of Shanghai Langham Xintiandi Hotel. This represented the difference between the fair value of the consideration based on the market value of the new issue of ordinary shares of the Company, and the carrying value of the underlying net assets being acquired.

Share of results of associates was RMB2 million (2011: RMB97 million), which included a revaluation gain from investment properties under development or construction (net of related taxes) amounting to RMB21 million (2011: RMB58 million) attributable to the Group. The decrease in the share of results of associates was due to the property sales of low-rise residential units being sold at a lower margin than the villas being sold in 2011.

Finance costs, inclusive of exchange differences amounted to RMB244 million (2011: RMB51 million). Total interest payments increased to RMB1,131 million (2011: RMB873 million), mainly due to the issuance of Singapore dollar ("SG$") 250 million notes and US dollars (“US$”) 475 million notes in January 2012 and February 2012 respectively. Capitalised borrowing costs increased correspondingly to RMB1,018 million (2011: RMB746 million). Concurrently, with the appreciation of the HK$ and the US$ against the RMB in the first half of 2012, a net exchange loss of RMB68 million was recorded as a consequence of the appreciation in the Group’s HK$, US$ and SG$ borrowings (2011: gain of RMB103 million as a consequence of the depreciation in the Group’s HK$ and US$ borrowings).

Profit before taxation increased by 12% to RMB1,480 million (2011: RMB1,326 million), reflecting the composite effect of the items highlighted above.

Taxation increased by 15% to RMB512 million (2011: RMB447 million). Excluding the provision for land appreciation tax of RMB35 million (which was assessed based on the appreciation value of properties disposed of) (2011: RMB90 million) together with its corresponding enterprise income tax effect of RMB9 million (2011: RMB23 million), the effective tax rate for the six months ended 30 June 2012 was 32.8% (2011: 28.7%). The increase in the effective tax rate was attributable to the increase in interests on offshore borrowings, which were not tax deductible in the PRC.

Profit attributable to shareholders of the Company for the six months ended 30 June 2012 was RMB825 million, an increase of 5% when compared to the same period in 2011 (2011: RMB784 million).

Profit attributable to shareholders excluding the increase in fair value of investment properties is as follows:

	Six months ended 30 June		
	2012	2011	Change
	RMB'million	RMB'million	%
Profit attributable to shareholders of the Company	**825**	784	+5%
Less:			
Increase in fair value of investment properties of the Group (net of deferred tax effect and share of non-controlling interests)	**(789)**	(423)	
Share of increase in fair value of investment properties of associates (net of tax effect)	**(21)**	(58)	
Profit attributable to shareholders of the Company before revaluation of investment properties	**15**	303	-95%

Earnings per share attained RMB0.15, which is calculated based on a weighted average of approximately 5,391 million shares in issue during the six months ended 30 June 2012 (2011: RMB0.15, which is calculated based on a weighted average of approximately 5,212 million shares in issue).

Capital Structure, Gearing Ratio and Funding

In January and February 2012, the Group issued SG$250 million of 8% senior notes and US$475 million of 9.75% senior notes respectively, each with a maturity of three years. The structure of the Group's borrowings as of 30 June 2012 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	7,186	2,132	1,847	1,887	1,320
Bank borrowings – HK$	7,449	3,609	2,206	1,634	-
Bank borrowings – US$	1,731	644	190	897	-
	16,366	6,385	4,243	4,418	1,320
Convertible bonds – RMB	2,284	-	2,284	-	-
Notes – RMB	6,536	-	2,971	3,565	-
Notes – SG$	1,263	-	-	1,263	-
Notes – US$	3,058	-	-	3,058	-
Total	29,507	6,385	9,498	12,304	1,320

On 6 August 2012, the Group further issued US$400 million of 9.75% senior notes at 102.785% of the principal amount plus accrued interest from 16 February 2012 to 6 August 2012. The effective finance cost on this notes issue was 8.5% per annum (excluding direct expenses incurred). These additional notes will mature in February 2015, and consolidate and form a single class with the US$ notes issued in February 2012. The proceeds from this additional notes issue will be used to finance the land relocations of existing projects and for working capital purposes.

Total cash and bank deposits amounted to RMB5,196 million as of 30 June 2012 (31 December 2011: RMB6,370 million), which included RMB1,992 million (31 December 2011: RMB2,512 million) of deposits pledged to banks and RMB303 million (31 December 2011: RMB335 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 30 June 2012, the Group's net debt balance was RMB24,311 million (31 December 2011: RMB19,118 million) and its total equity was RMB32,414 million (31 December 2011: RMB29,471 million). The Group's net gearing ratio was 75% as of 30 June 2012 (31 December 2011: 65%), calculated on the basis of the excess of the sum of convertible bonds, notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

Pledged Assets

As of 30 June 2012, 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 RMB40,806 million (31 December 2011: RMB28,963 million) to secure our borrowings of RMB13,362 million (31 December 2011: RMB13,981 million).

Capital and Other Development Related Commitments

As of 30 June 2012, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB16,139 million (31 December 2011: RMB11,967 million).

Future Plans for Material Investments and Sources of Funding

The Group will continue to focus on the development of the existing landbank that encompasses prime urban locations. A parallel objective is to consider other suitable opportunities to participate in projects of various types, whereby the Group can leverage its competitive strengths. The Group may also pursue other prospects, including different ways to acquire land development rights for the purpose of undertaking property projects or to increase the scale of current operations by leveraging on our master planning expertise.

Cash Flow Management and Liquidity Risk

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

The Group's commitment is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings and debt financing, as appropriate. The present financial and liquidity position enables the Group to maintain a reasonable liquidity buffer so that sufficient funds are available at all times to meet liquidity requirements.

Exchange Rate and Interest Rate Risks

The revenue of the Group is denominated in RMB. The convertible bonds and the notes issued in 2010 and 2011 were also denominated in RMB. As a result, the coupon payments and the repayment of the principal amounts of the convertible bonds and notes issued in 2010 and 2011 do not expose the Group to any exchange rate risk. A portion of the revenue, however, is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HK$ and US$, and senior notes denominated in SG$ and US$ issued in 2012. As a result, to the extent that we have a net currency exposure, the Group is exposed to fluctuations in foreign exchange rates.

Considering the relatively stable currency regime with regard to the RMB as it is maintained by the PRC Central Government, which only allows the exchange rate to fluctuate within a predefined range to a portfolio of various currencies. Given these defined circumstances, the Group does not expect any material adverse effects of the exchange rate fluctuation between the RMB and HK$/US$/SG$. Nevertheless, the Group continues to monitor its exposure to exchange rate risk closely, and is prepared to employ derivative financial instruments to hedge against its exchange rate risk, if necessary.

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 two to ten years for mortgage loans. Increases in interest rates would raise interest expenses relating to the outstanding variable rate borrowings and cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the debt obligations.

At 30 June 2012, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Borrowing Rates ("HIBOR") and London Inter-bank Borrowing Rates ("LIBOR"). 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 would receive interest at variable rates at HIBOR or LIBOR and pay interest at fixed rates ranging from 0.64% to 3.58% based on the notional amount of HK$4,968 million and US$150 million, in aggregate. The Group continues to monitor closely its exposure to interest rate risk, and may further consider additional derivative financial instruments to hedge against its remaining exposure to interest rate risk, if necessary.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.025 per share (2011: HK$0.025 per share) for the six months ended 30 June 2012, which is payable on or about 11 October 2012 to shareholders whose names appear on the register of members of the Company on 30 August 2012.

The interim dividend will be payable in cash and shareholders will be given the option of electing to receive the interim dividend in form of new shares in lieu of cash in respect of all or part of such dividend (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Scheme will be dispatched to shareholders together with the form of election for scrip dividend on or about 11 September 2012. It is expected that the interim dividend warrants and share certificates will be dispatched to shareholders on or about 11 October 2012.

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 period ended 30 June 2012.

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 Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "CG Code") 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 set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 2012.

To comply with the code provision A.6.4 of the CG Code, the Company has established and adopted a Code for Securities Transactions by Relevant Employees, on terms no less exacting 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 because of their offices or employments.

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 2012, the majority of the members of the Board of Directors of the Company were Independent Non-executive Directors ("INEDs"). Currently, the Board is now made up of nine members in total, with three Executive Directors, one Non-executive Director and five 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 2012, the Audit Committee consisted of three members, namely Professor Gary C. BIDDLE ("Professor BIDDLE"), Dr. Roger L. McCARTHY ("Dr. McCARTHY") and Mr. Frankie Y. L. WONG. Professor BIDDLE and Dr. McCARTHY 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 2012, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditors.

In January 2012, the Audit Committee was also assigned with the duties to assist the Board and its Chairman in performing the corporate governance duties as required under the current CG Code.

Remuneration Committee
During the six months ended 30 June 2012, the Remuneration Committee consisted 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 packages 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
The 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. 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 the CG Code
During the six months ended 30 June 2012, the Company has fully complied with the code provisions of the CG Code.

Awards on Corporate Governance
The Company was recognized as one of the “2012 Top 50 China Real Estate Listed Companies with Strongest Comprehensive Strengths” by China Real Estate Appraisal, and also as one of the winners of the “Corporate Governance Asia Recognition Awards 2012 – The Best of Asia 2012” by Corporate Governance Asia.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2012, the number of employees in the Group was 1,266 (31 December 2011: 1,262); the headcount of the property management business was 1,338 (31 December 2011: 1,322). The Group provides a comprehensive benefits 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 our 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 2012, 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 Standards 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

As always, I thank our shareholders and business partners for their continued and invaluable support. I would also like to convey my appreciation to our Board of Directors, management and staff for their loyalty, dedication and tireless efforts. Throughout the economic volatility of recent years, it is this fortuitous combination of individuals with resilience, capability and talent that has driven the Group's development, and continues to do so.

My team and I at Shui On Land look forward to delivering the world-class projects already in the pipeline, and to continuously creating value for our shareholders.

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

Hong Kong, 23 August 2012

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 director of the Company is Mr. Frankie Y.L. WONG; and the independent non-executive directors of the Company are Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW.

** For identification purposes only*