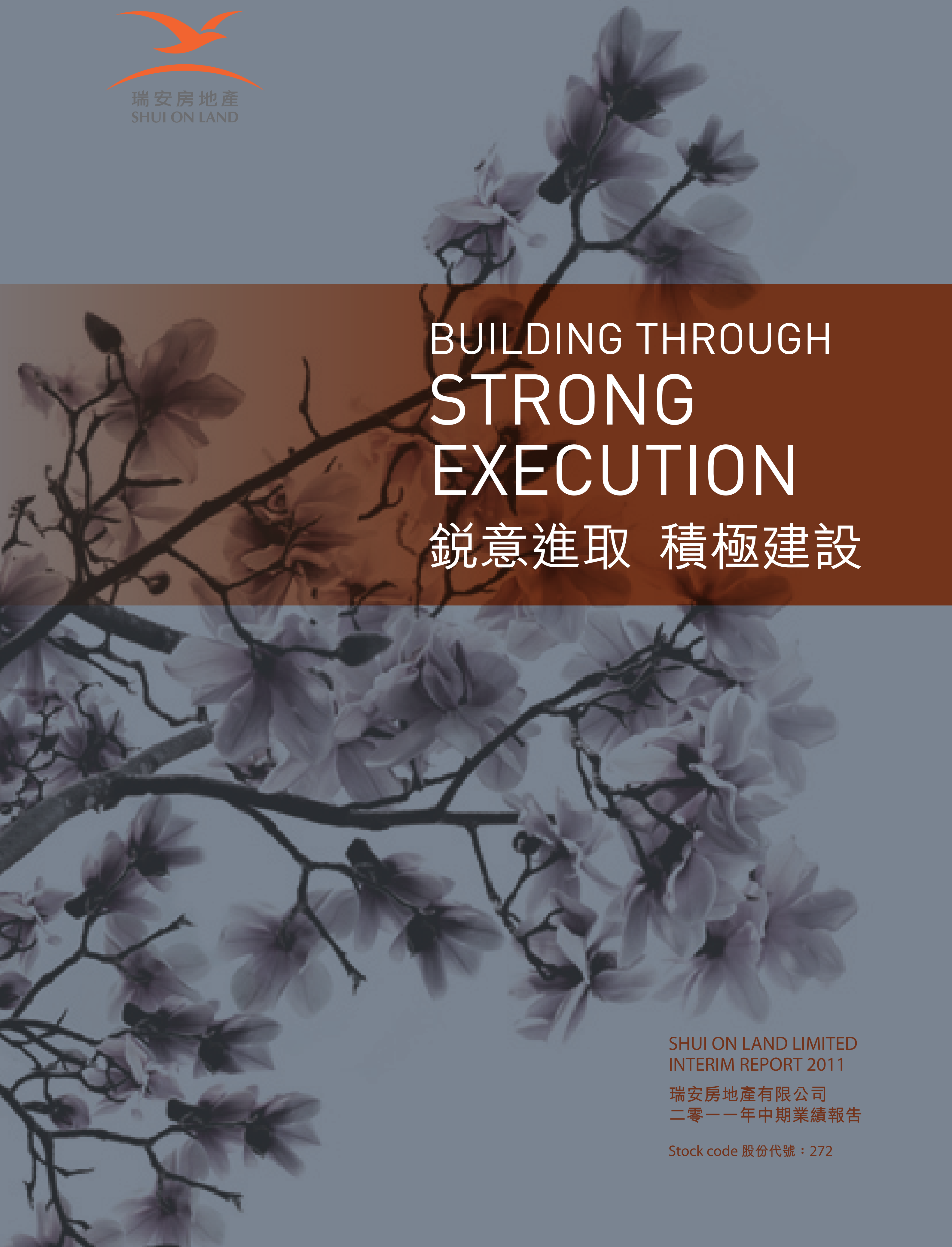
瑞安房地產
SHUI ON LAND



BUILDING THROUGH STRONG EXECUTION

鋭意進取 積極建設

SHUI ON LAND LIMITED
INTERIM REPORT 2011

瑞安房地產有限公司
二零一一年中期業績報告

Stock code 股份代號：272

Contents 目錄

Building through Strong Execution

Focused on professional execution, Shui On Land is dedicated to growing its business to nurture solid value for investors.

Riding on its skilful operations, accelerating development, steady performance and capitalising on its premium landbank, Shui On Land's success continues to flourish through delivering superior master-planned communities in high growth cities.

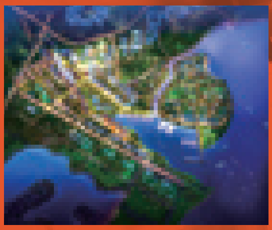
Innovative Property Developer in China

A Pioneer in Customisation to Fulfill Customers' Needs

Shui On Land is one of China's most visionary and innovative property developers.
To meet the rapid growth of housing demand and of our customer's changing needs, we are accelerating the completion of our projects while focusing on our core value of innovation by introducing both customisation and standardisation.

The structure of social and family life has undergone significant changes in recent years and the needs and lifestyles of our customers have also changed. To cater to these individual preferences, we have pioneered the customisation of floor plans and materials, allowing customers to choose their own designs. We have also introduced the standardisation of unit sizes and construction materials to meet our accelerated completion targets. These combined strategies have not only helped to enhance the flexibility and functionality of our products, but also to conserve the use of the earth's resources.

In this, as in all our aspects of our business, we remain market leaders.



Chairman's Statement

"Average selling prices of our projects have remained stable in all markets, with greater return on investment expected from second-tier cities – where we have successfully demonstrated our capability to extend the Group's hallmark "Tiandi" model."

Vincent H. S. LO
Chairman

Against a backdrop of continued global economic volatility, the first half of 2011 presented a unique set of market challenges, particularly the high inflation rate in China. The Chinese government responded to that by introducing more stringent measures to maintain the stability of the real estate market. These strict measures will likely remain in place for the immediate term, unless drastic changes occur in the global economy. Still, even though property transaction volumes decelerated in recent months, the underlying market prices remained firm.

For the six-month period ended 30 June 2011, the Group generated turnover of RMB1,788 million (HKD2,132 million), representing a decrease of 43% compared to the same period in 2010. Profit attributable to shareholders was RMB784 million or HKD935 million (2010: RMB1,557 million or HKD1,775 million). Basic earnings per share were RMB0.15 (HKD0.18), decreasing by 52% compared to the first half of 2010.

The decrease in profit was mainly attributable to fewer properties being delivered during the six months ended 30 June 2011, compared to the corresponding period in 2010. However, it is expected that more properties will be delivered in the second half of the year, including Shanghai Rui Hong Xin Cheng Phase 4, Chongqing Tiandi The Riviera Phase 2 and Foshan Lingnan Tiandi Legendary Phase 1. We are confident that our full-year results will be comparable with those of the previous year, barring unforeseen circumstances.

Satisfactory Project Performance

The Group achieved year-to-June contracted sales of RMB5,270 million – 53% of our 2011 sales target – representing total gross floor area of 206,600 sq.m.. A majority of that stemmed from residential sales, with the remainder from office en-bloc sales at Wuhan Tiandi. As of 30 June 2011, total lock-in sales to be delivered in 2011 and beyond reached RMB6,707 million. Average selling prices of our projects have remained stable in all markets, with greater return on investment expected from second-tier cities – where we have successfully demonstrated our capability to extend the Group's hallmark "Tiandi" model.

Individual projects of the Group progressed smoothly during the period under review: Phase 1 apartment units at Foshan Lingnan Tiandi were delivered to purchasers in June. Phase 3 of our residential units at Chongqing Tiandi were launched in July to good market response.

> In March of this year, I handed over the CEO position to Freddy C. K. LEE. The handover proceeded very smoothly, demonstrating the depth of our management, the meticulous succession planning and the strength of the organisation.

Delivery-focused Strategy

During these challenging times, our current Three-Year Plan (2010 – 2012) serves as the backbone of the Group's strategy. We are making good progress toward our target of delivering one million square metres of property by 2012, and we expect to deliver 708,000 sq.m. by the end of the current financial year.

Another main theme of the Three-Year Plan revolves around management decentralisation. In March of this year, I handed over the CEO position to Freddy C. K. LEE. This move allows me to focus more on setting the overall direction and strategic planning for the Group as the Chairman of the Board – concentrating on "what to do" instead of "how to do it". The handover proceeded very smoothly, demonstrating the depth of our management, the meticulous succession planning and the strength of the organisation.

Nurturing a Flourishing Future

One of the highlights of our project portfolio is "The Hub" at Hongqiao. We held a press conference in June to announce the project concept: "The Hub – Connecting the World". This one-of-a-kind project is the only site that directly links to the Hongqiao Transportation Hub in Shanghai, situated only 2 minutes' walk from the high-speed rail station and 8 minutes' walk from the airport. "The Hub" will produce an estimated total leasable GFA of 279,000 sq.m., with its proximity to the airport and rail stations' estimated 1.1 – 1.4 million passengers per day by 2015, which surely will provide tremendous value for any commercial retail property development. Phase 1 is expected to be launched in 2013.

Looking ahead, we are cooperating with Japan's largest property developer – Mitsui Fudosan – to work together on Dalian Tiandi. This cooperation brings us closer to the Japanese market. Mitsui Fudosan is also keen to cooperate with the Group on other projects.

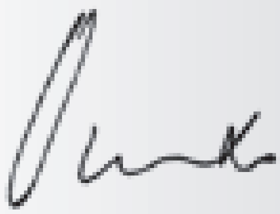
Given the government's austerity measures, China's banking sector has tightened credit and lending. Fortunately, the Group had had the foresight to take appropriate mitigating actions. In late 2010 – early 2011, we raised a total of RMB9.22 billion through convertible bonds and senior notes, providing us with funding in line with our capital requirements.

As mentioned in our announcement of the 2010 annual results, the Board is considering a spin-off of our investment property portfolio. This is against the background that our current share price is at a very significant discount to our net asset value, so that a spin-off would hopefully recognise the hidden value of our very prime investment properties, as well as facilitating funding of future development of investment properties.

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 offer 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.



Vincent H. S. LO
Chairman

Hong Kong, 17 August 2011

Management Discussion and Analysis

“We are now entering the harvest time with increasing property sales and deliveries going ahead.”

Freddy C. K. LEE
Managing Director and CEO

Report from the CEO

Three-Year Plan to Expedite Development of the Projects

This is my first report to shareholders as the CEO of Shui On Land.

2011 will mark a breakthrough in Shui On Land’s development history. It is the 10th anniversary of Shanghai Xintaindi. It is also the year when Shui On Land delineates the role of the Chairman to focus more on the Group’s macro policy and the CEO on business operations.

With the implementation of our “Three-Year Plan” together with the hard work and dedication of our employees, we have streamlined the Group’s organisation, have completed the initial project development phase by establishing infrastructure and its respective amenities, and have expedited asset churn. We are now entering the harvest time with increasing property sales and deliveries going ahead.

At the mid 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 RMB1,788 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 attributable not only to the rise in market value of its existing properties, but also to 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 & Relocation

The Group has been focusing on land banking and relocation in Shanghai in 2010 and 2011. We acquired The Hub 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 create synergy with a larger scale of 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 projects. 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 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.

Our Three-Year Plan helps us steer our business and further drives sustainable growth. With the guidance and support of the Board and the Chairman, we are confident that we will continue to deliver value to our shareholders in the years ahead.

Freddy C. K. LEE

Managing Director and CEO

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 RMB' million	GFA sold and delivered sq.m.	ASP RMB per sq.m.	Six months ended 30 June 2010 Sales revenue RMB' million	GFA sold and delivered sq.m.	ASP RMB per sq.m.	ASP Growth Rate %
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

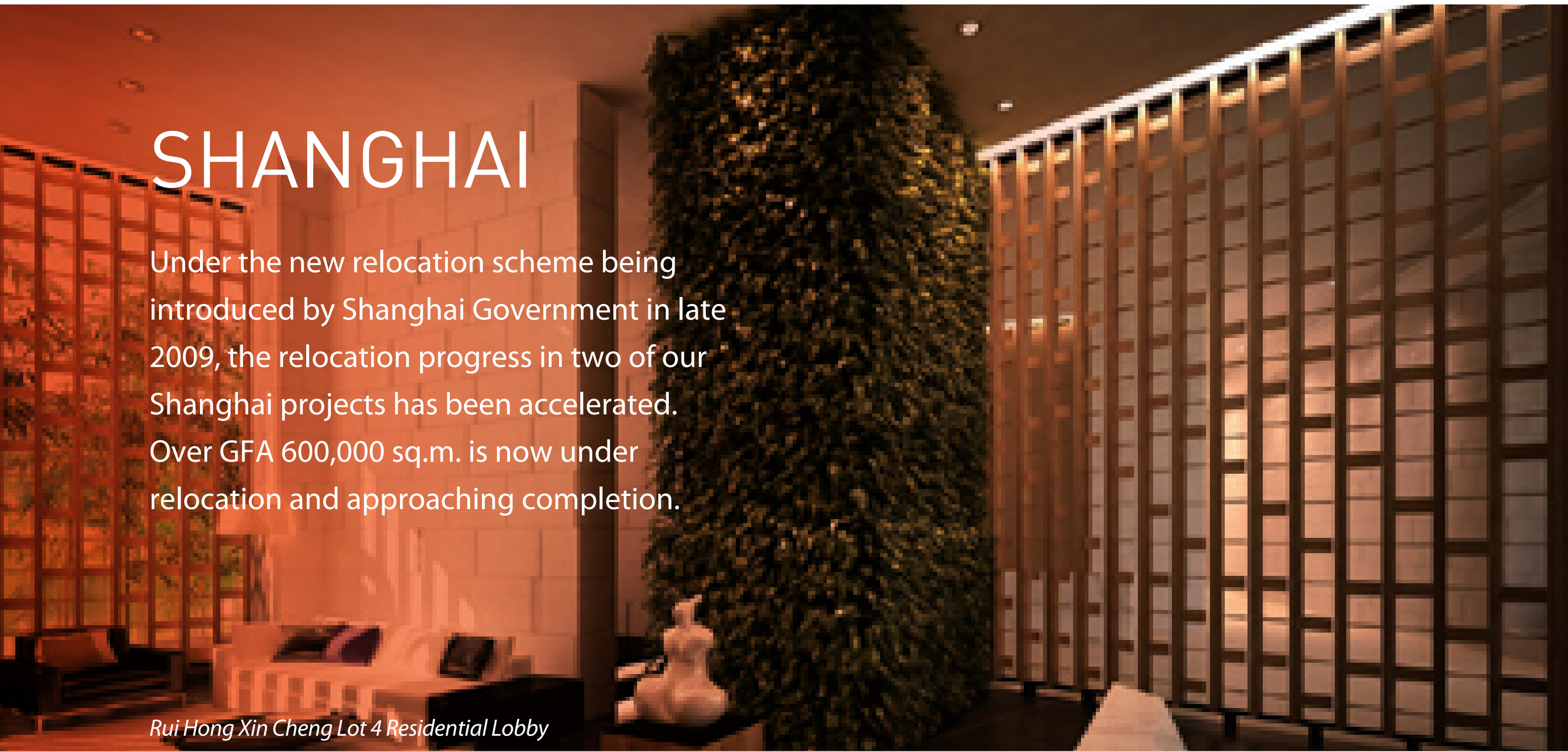
A total GFA of 206,600 sq.m. of properties were sold or pre-sold during the first half of 2011, amounting to RMB5,270 million. ASP (including Dalian associates) increased to RMB25,500 per sq.m. from RMB15,200 per sq.m. The table below summarises the contracted sales by projects and the respective ASP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

Project	Six months ended 30 June 2011 Contracted amount RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	Six months ended 30 June 2010 Contracted amount RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	ASP Growth Rate %
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.

SHANGHAI

Under the new relocation scheme being introduced by Shanghai Government in late 2009, the relocation progress in two of our Shanghai projects has been accelerated. Over GFA 600,000 sq.m. is now under relocation and approaching completion.



Rui Hong Xin Cheng Lot 4 Residential Lobby

Shanghai City Flower
White Magnolia

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 maximise returns.

Casa Lakeville in Shanghai

The Art and Performance Hub (Starship) at The Hub

Shanghai Rui Hong Xin Cheng (also referred 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 a total proceeds of RMB39 million.

Wuhan Tiandi

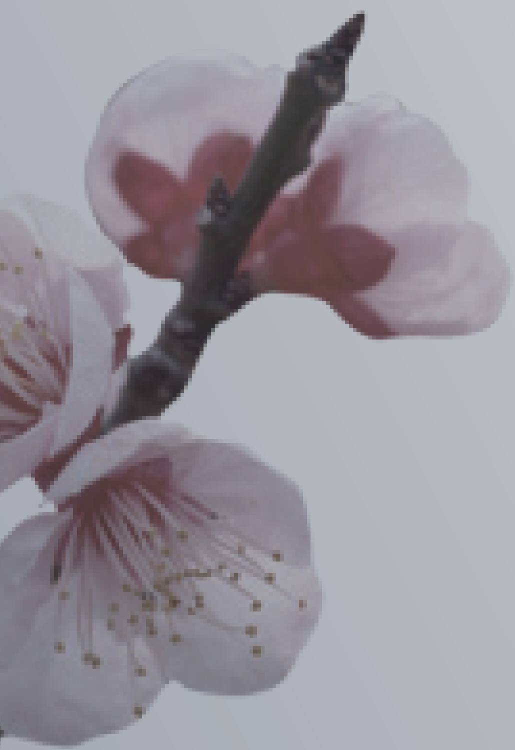
The pre-sale of The Riverview Phase 3 luxurious residences, featuring top grade amenities with comprehensive services, was well received by the market. A total of RMB1,197 million in contracted sales in Wuhan Tiandi project was achieved at an ASP of RMB33,400 per sq.m., representing an increase of 78% 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.

WUHAN

The pre-sale of The Riverview Phase 3 residences, featuring top grade amenities with comprehensive services, was well received by the market. The selling price of residential units at Wuhan Tiandi continues to rank amongst one of the highest in the city.

Site A of Wuhan Tiandi



Wuhan City Flower
Plum Blossoms

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 in 2012 by phases.

The Riverview Phase II at Wuhan Tiandi

Show Flat of the Riverview Phase III at Wuhan Tiandi

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			Group's interest
Project	Office	Retail	Serviced apartments	Total	30 June 2011	31 December 2010	31 December 2009	%
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								
Phase 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 Lower 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 RMB' million	Carrying value as of 30 June 2011 RMB' million	Carrying value per GFA RMB per sq.m.	Group's interest %
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 sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Subtotal sq.m.	Clubhouse, carpark and other facilities sq.m.	Total sq.m.	Group's interest %
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 GFA in sq.m.	Group's interest %
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, the actual market launching date depends on and will be affected by factors such as construction progress, changes in the market environments, changes in government regulations and the like.

CHONGQING

Around 150,000 sq.m. GFA of residential developments will be available for pre-sale in the second half of 2011 whereas average selling price in Chongqing Tiandi is growing steadily.

The Water Front at Chongqing Tiandi

Chongqing City Flower
Camellia

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 and 74.3% interest in the retail portion. The residential apartments are planned for pre-sale in 2012 and afterwards by 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% of households signing relocation agreements respectively. 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 (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, retail, hotel	569,000	2010	74%
Lot 3			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 at 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..

The Water Front at Chongqing Tiandi

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.

Private Swimming Pool of The Water Front at Chongqing Tiandi

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 associate, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA Residential (sq.m.)	Office (sq.m.)	Retail (sq.m.)	Hotel/ serviced apartments (sq.m.)	Subtotal (sq.m.)	Clubhouse, carpark and other facilities (sq.m.)	Total (sq.m.)	Group's interest %
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.


Show Flat of The Riviera III at Chongqing Tiandi

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-styled 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.

FOSHAN

The first lot of residential apartments were completed and delivered to buyers in the first half of 2011. Also, the first stage of Foshan Lingnan Tiandi is expected to be completed in the second half of 2011.

Master-plan of Foshan Lingnan Tiandi

Foshan City Flower
Michelia

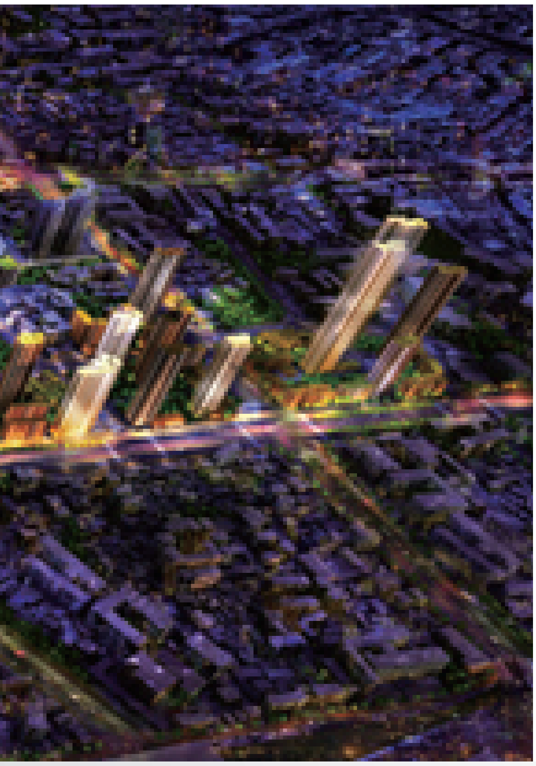
Financial Review

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 months 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%).



Foshan Lingnan Tiandi Perspective

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).


Foshan Lingnan Tiandi

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 RMB'million	**2010 RMB'million**	**change %**
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) RMB'million	Due within one year RMB'million	Due in more than one year but not exceeding two years RMB'million	Due in more than two years but not exceeding five years RMB'million	Due in more than five years 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).

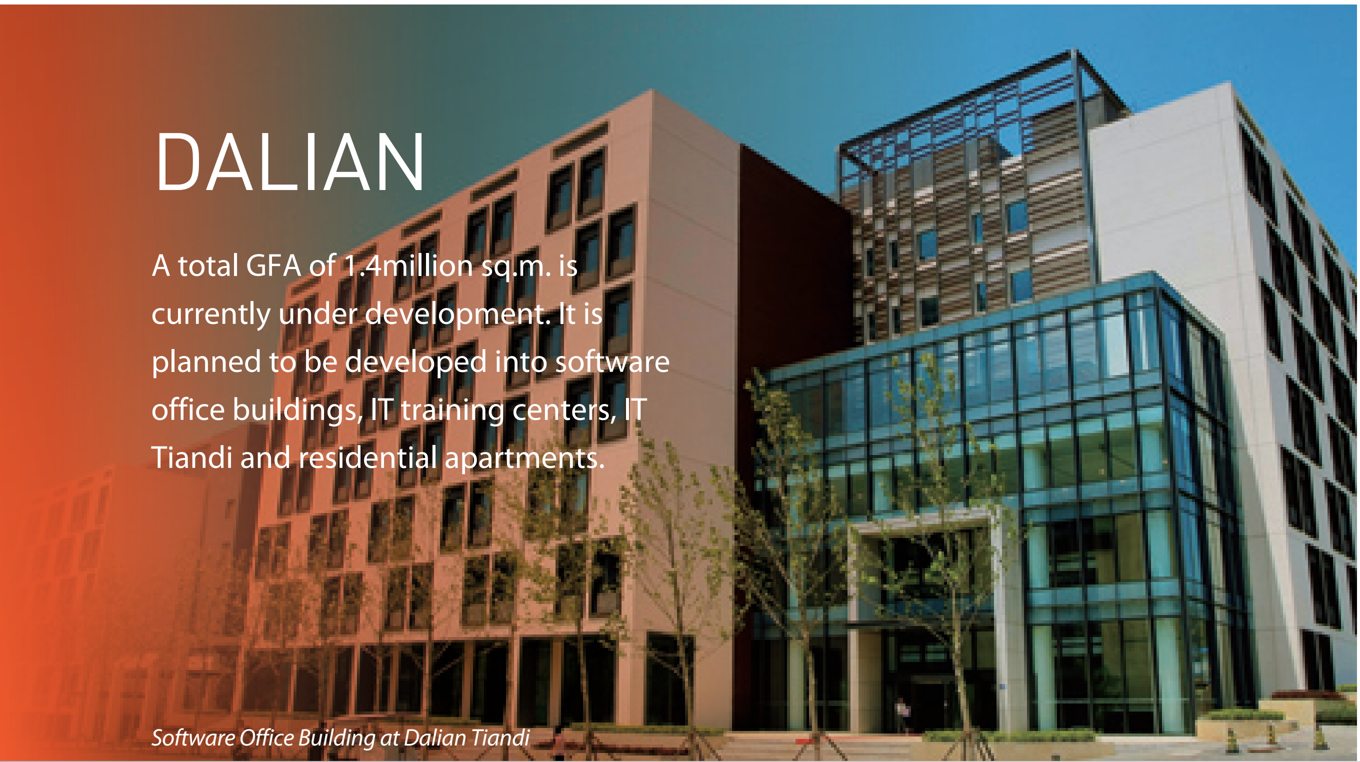
Capital and Other Development Related Commitments

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.

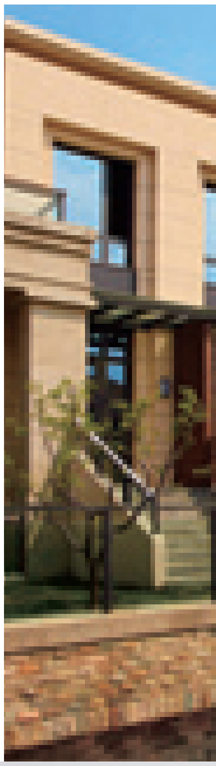
During the six months ended 30 June 2011, the Group has acquired 24.75% effective rights and interests pertaining to the Non-Retail Portion of Lot 6 of the Shanghai Rui Hong Xin Cheng project from a non-controlling shareholder. The Group is confident that the land relating to the Non-Retail Portion will 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.



DALIAN

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

Software Office Building at Dalian Tiandi



Dalian City Flower
China Rose

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 rate risks.

Exterior of Greenville Villa at Dalian Tiandi

Greenville Clubhouse at Dalian Tiandi

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.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SHUI ON LAND LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 31 to 55, which comprises the condensed consolidated statement of financial position of Shui On Land Limited (the "Company") and its subsidiaries as of 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and selected explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'million (Unaudited)	2010 RMB'million (Unaudited)
Turnover			
– The Company and its subsidiaries ("the Group")		**1,788**	3,121
– Share of associates		**147**	–
		1,935	3,121
Turnover of the Group	3	**1,788**	3,121
Cost of sales		**(961)**	(1,849)
Gross profit		**827**	1,272
Other income		**151**	87
Selling and marketing expenses		**(68)**	(60)
General and administrative expenses		**(291)**	(275)
Operating profit	4	**619**	1,024
Increase in fair value of investment properties	9	**661**	1,461
Gain on disposal of investment properties		**–**	23
Share of results of associates		**97**	68
Finance costs, net of exchange gain	5	**(51)**	(36)
Profit before taxation		**1,326**	2,540
Taxation	6	**(447)**	(832)
Profit for the period		**879**	1,708
Attributable to:			
Shareholders of the Company		**784**	1,557
Non-controlling interests		**95**	151
		879	1,708
Earnings per share	8		
– Basic		**RMB0.15**	RMB0.31
– Diluted		**RMB0.13**	RMB0.31

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Note	Six months ended 30 June 2011 RMB'million (Unaudited)	2010 RMB'million (Unaudited)
Profit for the period		**879**	1,708
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**2**	1
Fair value adjustments on interest rate swaps designated in cash flow hedges	16	**3**	(39)
Other comprehensive income (expense) for the period		**5**	(38)
Total comprehensive income for the period		**884**	1,670
Total comprehensive income attributable to:			
Shareholders of the Company		**789**	1,519
Non-controlling interests		**95**	151
		884	1,670

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2011

	Notes	30 June 2011 RMB'million (Unaudited)	31 December 2010 RMB'million (Audited)
Non-current assets			
Investment properties	9	**32,622**	26,893
Property, plant and equipment		**557**	540
Prepaid lease payments		**73**	73
Interests in associates	10	**1,017**	920
Loans to associates	10	**1,379**	1,270
Accounts receivable	11	**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	11	**3,984**	3,604
Loans receivable		**147**	597
Amounts due from associates	10	**334**	318
Amounts due from related parties		**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	12	**7,300**	4,987
Amounts due to related parties		**178**	95
Amounts due to associates	10	**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

	Notes	**30 June 2011 RMB'million (Unaudited)**	31 December 2010 RMB'million (Audited)
Capital and reserves			
Share capital	13	**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	15	**6,503**	2,945
Derivative financial instruments designated as hedging instruments	16	**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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to shareholders of the Company												
	Share capital	**Share premium**	**Merger reserve**	**Special reserve**	**Share option reserve**	**Exchange reserve**	**Convertible bond equity reserve**	**Hedge reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
	RMB' million	RMB' million	RMB' million (Note 14(a))	RMB' million (Note 14(b))	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million (Note 14(c))	RMB' million	RMB' million	RMB' million	RMB' million
At 1 January 2011 (audited)	**102**	**12,985**	**122**	**(71)**	**155**	**15**	**605**	**(98)**	**637**	**10,368**	**24,820**	**1,208**	**26,028**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**784**	**784**	**95**	**879**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**–**	**–**	**2**	**–**	**2**
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 16)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**–**	**–**	**3**	**–**	**3**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**3**	**–**	**784**	**789**	**95**	**884**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**13**	**–**	**–**	**–**	**–**	**–**	**13**	**–**	**13**
Capital injection	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**	**25**
Dividend paid to a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Acquisition of additional ownership interests in a subsidiary (Note 18(b))	**–**	**–**	**–**	**(104)**	**–**	**–**	**–**	**–**	**–**	**–**	**(104)**	**(274)**	**(378)**
Release of special reserve upon disposal of related assets	**–**	**–**	**–**	**10**	**–**	**–**	**–**	**–**	**–**	**–**	**10**	**–**	**10**
2010 final dividend of HK$0.05 per share approved	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(220)**	**(220)**	**–**	**(220)**
At 30 June 2011 (unaudited)	**102**	**12,985**	**122**	**(165)**	**168**	**17**	**605**	**(95)**	**637**	**10,932**	**25,308**	**1,050**	**26,358**
At 1 January 2010 (audited)	99	12,433	122	(101)	136	19	–	(91)	603	8,359	21,579	995	22,574
Profit for the period	–	–	–	–	–	–	–	–	–	1,557	1,557	151	1,708
Exchange difference arising on translation of foreign operations	–	–	–	–	–	1	–	–	–	–	1	–	1
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 16)	–	–	–	–	–	–	–	(39)	–	–	(39)	–	(39)
Total comprehensive income (expense) for the period	–	–	–	–	–	1	–	(39)	–	1,557	1,519	151	1,670
Recognition of equity-settled share-based payment expenses	–	–	–	–	17	–	–	–	–	–	17	–	17
Capital injection	–	–	–	–	–	–	–	–	–	–	–	13	13
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Release of special reserve upon disposal of related assets	–	–	–	21	–	–	–	–	–	–	21	–	21
2009 final dividend of HK$0.12 per share approved	–	–	–	–	–	–	–	–	–	(530)	(530)	–	(530)
At 30 June 2010 (unaudited)	99	12,433	122	(80)	153	20	–	(130)	603	9,386	22,606	1,158	23,764

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'million (Unaudited)	2010 RMB'million (Unaudited)
Net cash used in operating activities		**(306)**	(1,356)
Net cash used in investing activities			
Additions to investment properties		**(5,100)**	(1,022)
Proceeds from disposal of investment properties		**36**	185
Withdrawal of pledged bank deposits		**215**	676
Placement of pledged bank deposits		**(1,612)**	(671)
Net cash outflow on acquisition of a subsidiary	18(a)	**–**	(109)
Net cash inflow on disposal of subsidiaries	18(c)	**342**	–
Advances to amounts due from associates		**(16)**	(141)
Advances from (to) loans receivable		**450**	(107)
Other investing cash flows		**(85)**	43
		(5,770)	(1,146)
Net cash from financing activities			
Advance from non-controlling shareholders of subsidiaries		**434**	901
Repayment of non-controlling shareholders of subsidiaries		**(510)**	(326)
Capital injected by non-controlling shareholders of subsidiaries		**25**	13
New bank loans raised		**4,312**	2,849
Repayment of bank loans		**(1,486)**	(507)
Issue of notes	15	**3,500**	–
Expenses on issuance of notes	15	**(70)**	–
Interest and bank charges paid		**(692)**	(440)
Payment of dividends		**(220)**	–
Dividend payment to a non-controlling shareholder of a subsidiary		**(4)**	(1)
		5,289	2,489
Net decrease in cash and cash equivalents		**(787)**	(13)
Cash and cash equivalents at the beginning of the period		**4,905**	2,928
Effect of foreign exchange rate changes		**(66)**	–
Cash and cash equivalents at the end of the period		**4,052**	2,915
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**4,052**	2,915

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. 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 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

2. PRINCIPAL ACCOUNTING POLICIES (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.

3. 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

3. 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.

4. 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 benefit costs	**2**	–
Share-based payment expenses	**1**	1
	15	21
Other staff costs		
Salaries, bonuses and allowances	**195**	174
Retirement benefit 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)

5. 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 (Note 21)	**–**	4
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years (Note 21)	**78**	64
Interest on convertible bonds	**114**	–
Interest on notes (Note 15)	**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: approximately 6.6%) per annum to expenditure on the qualifying assets.

6. 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.

7. 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.

8. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2011	2010
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the period attributable to shareholders of the Company	**784**	1,557

Number of shares

	Six months ended 30 June	
	2011	2010
	'million	'million
	(Unaudited)	(Unaudited)
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

Note:

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.

9. INVESTMENT PROPERTIES

	30 June 2011 RMB'million (Unaudited)	31 December 2010 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	14,508	14,119
Investment properties under construction or development,		
stated at fair value	7,839	6,815
stated at cost	10,275	5,959
	18,114	12,774
	32,622	26,893

The movements of investment properties during the current and prior periods are as follows:

	Completed investment properties at fair value RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Total RMB'million
At 1 January 2011 (audited)	14,119	6,815	5,959	26,893
Eliminated upon disposal	(36)	–	–	(36)
Disposal of a subsidiary (Note 18(c))	–	–	(348)	(348)
Additions	4	578	4,898	5,480
Transfers upon completion	28	(28)	–	–
Transfers	–	234	(234)	–
Transfers to property, plant and equipment	(28)	–	–	(28)
Increase in fair value recognised in the condensed consolidated income statement	421	240	–	661
At 30 June 2011 (unaudited)	14,508	7,839	10,275	32,622
At 1 January 2010 (audited)	9,384	6,129	5,693	21,206
Eliminated upon disposal	(162)	–	–	(162)
Acquisition of a subsidiary (Note 18(a))	–	–	67	67
Additions	4	312	788	1,104
Transfers upon completion	139	(139)	–	–
Transfers	–	1,002	(1,002)	–
Increase in fair value recognised in the condensed consolidated income statement	384	1,077	–	1,461
At 30 June 2010 (unaudited)	9,749	8,381	5,546	23,676

9. INVESTMENT PROPERTIES (CONTINUED)

The investment properties are all situated in the PRC under long/medium-term leases. All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

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

The fair values of the Group's investment properties at 30 June 2011 and 31 December 2010 and at dates of transfer upon completion of development of investment properties under construction or development have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuers not connected to the Group.

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

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at adopting market-based valuation approach with reference to sales evidence of comparable properties with adjustments made to account for any differences and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations have also taken into account the relevant future cost of development, including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the properties.

10. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES/ AMOUNTS DUE TO ASSOCIATES

	Notes	30 June 2011 RMB'million (Unaudited)	31 December 2010 RMB'million (Audited)
Cost of investments, unlisted		357	357
Share of post acquisition profits		660	563
		1,017	920
Loans to associates			
– Interest free	(a)	808	805
– Interest bearing at 5% per annum	(b)	571	465
		1,379	1,270
Amounts due from associates	(c)	334	318
Amounts due to associates	(d)	16	29

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast Group Limited ("Richcoast"), an associate of the Group, for financing the development of Dalian Tiandi project. Pursuant to the Joint Venture Agreement dated 25 May 2007, the loans are unsecured, interest-free and with no fixed terms of repayment until Many Gain International Limited ("Many Gain"), a shareholder of Richcoast which is an independent third party, has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rates of 5.4% (31 December 2010: 5.4%) per annum.

(b) These loans to associates represent the loans to subsidiaries of Richcoast are unsecured, interest bearing at a rate of 5% per annum and with no fixed terms of repayment.

(c) The amounts due from associates are unsecured, interest bearing at 6.1% (31 December 2010: 5.7%) per annum and repayable on demand.

(d) The amounts due to associates are unsecured, interest free and repayable on demand.

11. 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 sale 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.

12. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2011 RMB'million (Unaudited)	31 December 2010 RMB'million (Audited)
Trade payable 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.

13. 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

14. OTHER RESERVES

(a) Merger reserve represents the aggregate of:

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

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

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

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

During the six months ended 30 June 2011, an amount of RMB10 million was released to condensed consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates (six months ended 30 June 2010: RMB21 million).

An amount of RMB104 million represents the difference between the fair value of the consideration paid and the carrying value of the net assets attributable to the additional interest in a residential development on a parcel of land of the Rui Hong Xin Cheng project.

(c) Other reserves comprised of:

(i) An amount of RMB483 million represents payable waived in 2004 by Shui On Investment Company Limited, a subsidiary of Shui On Company Limited ("SOCL"), in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of Shui On Investment Company Limited, and recharged to certain subsidiaries of the Company. SOCL is a substantial shareholder of the Company, of which Mr. Vincent H.S. LO, the Chairman of the Company, has beneficial interest.

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

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

(iv) An amount of RMB34 million represents the difference between the fair value of the consideration paid and the carrying value of the net assets attributable to the additional interest of 16.8% in Yang Pu Center Development Co., Ltd. being acquired from the non-controlling interests in 2010.

15. NOTES

	Six months ended 30 June	
	2011	2010
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
At 1 January	**2,945**	–
Issue of senior notes due 2015	**3,500**	–
Expenses on issue of senior notes	**(70)**	–
Interest charged during the period	**232**	–
Interest paid during the period	**(104)**	–
At 30 June	**6,503**	–

On 23 December 2010, Shui On Development (Holding) Limited ("SOD"), a wholly owned subsidiary of the Company, issued RMB3,000 million senior notes to independent third parties with a maturity of three years due on 23 December 2013 (the "2013 Notes"). The 2013 Notes are denominated in RMB and settled in US dollars, and bear coupon at 6.875% per annum payable semi-annually in arrears.

On 26 January 2011, SOD further issued RMB3,500 million senior notes to independent third parties with a maturity of four years due on 26 January 2015 (the "2015 Notes"). The 2015 Notes are denominated in RMB and settled in US dollars, and bear coupon at 7.625% per annum payable semi-annually in arrears.

The principal terms of the 2015 Notes were

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security thereof; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 Notes, SOD may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2015 Notes.

At any time on or before all the 2015 Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to shareholders after taking into account certain adjustments prescribed in the terms of the 2015 Notes.

16. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

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

At 30 June 2011 and 31 December 2010, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interest at variable rates at Hong Kong Interbank Offered Rate ("HIBOR") and pay interest at fixed rates ranging from 0.69% to 3.58% (31 December 2010: 0.95% to 3.58%) based on the notional amounts of HK$8,210 million (31 December 2010: HK$5,581 million) in aggregate. The Group designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group amounting to HK$8,210 million (31 December 2010: HK$5,581 million) which bear variable interest rates at HIBOR plus spread ranging from 2.75% to 3.65% (31 December 2010: 2.75% to 3.65%) and mature on or before January 2014. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the six months ended 30 June 2011, fair value gain arising from the interest rate swaps of RMB3 million (six months ended 30 June 2010: fair value loss of RMB39 million) was deferred in equity as hedge reserve, which is expected to be recognised in the condensed consolidated income statement at various dates upon the interest payments of the related bank borrowings are expected to settle.

17. SHARE-BASED PAYMENT TRANSACTIONS

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

As of 30 June 2011, 126,718,859 share options (31 December 2010: 142,152,612 share options) remained outstanding under the Scheme, representing 2.4% (31 December 2010: 2.7%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

The Group recognised a total expense of RMB13 million (six months ended 30 June 2010: RMB17 million) in the condensed consolidated income statement in relation to share options granted by the Company.

17. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

No share options were granted or exercised during the six months ended 30 June 2011 and 30 June 2010. The movement in the Company's share options is set out below:

Date of grant	Exercise price HK$	Number of options: At 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2011
20 June 2007	**7.00**	**91,390,892**	**–**	**–**	**(10,405,481)**	**80,985,411**
1 August 2007	**8.18**	**1,109,933**	**–**	**–**	**(250,173)**	**859,760**
2 October 2007	**10.00**	**2,066,456**	**–**	**–**	**(250,571)**	**1,815,885**
1 November 2007	**11.78**	**724,550**	**–**	**–**	**(109,687)**	**614,863**
3 December 2007	**9.88**	**580,866**	**–**	**–**	**(384,338)**	**196,528**
2 January 2008	**8.97**	**3,178,009**	**–**	**–**	**(145,961)**	**3,032,048**
1 February 2008	**8.05**	**1,444,882**	**–**	**–**	**(86,159)**	**1,358,723**
3 March 2008	**7.68**	**633,008**	**–**	**–**	**(87,848)**	**545,160**
2 May 2008	**7.93**	**5,421,932**	**–**	**–**	**(859,170)**	**4,562,762**
2 June 2008	**7.34**	**13,665,712**	**–**	**–**	**(1,579,959)**	**12,085,753**
2 July 2008	**6.46**	**947,231**	**–**	**–**	**(208,393)**	**738,838**
4 September 2009	**4.90**	**20,989,141**	**–**	**–**	**(1,066,013)**	**19,923,128**
Total		**142,152,612**	**–**	**–**	**(15,433,753)**	**126,718,859**
Number of options exercisable at the beginning and end of the period		**35,906,115**				**47,378,823**

Date of grant	Exercise price HK$	Number of options: At 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2010
20 June 2007	7.00	106,632,098	–	–	(7,937,762)	98,694,336
1 August 2007	8.18	1,269,802	–	–	(115,392)	1,154,410
2 October 2007	10.00	2,468,768	–	–	(224,192)	2,244,576
1 November 2007	11.78	1,301,615	–	–	(381,547)	920,068
3 December 2007	9.88	1,234,329	–	–	(121,509)	1,112,820
2 January 2008	8.97	3,358,409	–	–	(119,067)	3,239,342
1 February 2008	8.05	1,717,382	–	–	(46,236)	1,671,146
3 March 2008	7.68	735,670	–	–	(53,835)	681,835
2 May 2008	7.93	7,238,273	–	–	(854,564)	6,383,709
2 June 2008	7.34	15,231,560	–	–	(1,238,876)	13,992,684
2 July 2008	6.46	1,482,175	–	–	(332,814)	1,149,361
4 September 2009	4.90	23,705,524	–	–	(1,065,412)	22,640,112
Total		166,375,605	–	–	(12,491,206)	153,884,399
Number of options exercisable at the beginning and end of the period		19,586,617				32,418,733

17. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

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

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

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

18. ACQUISITIONS AND DISPOSALS

(a) Acquisition of a subsidiary

During the six months ended 30 June 2010, a subsidiary of the Company acquired the entire interest of a company incorporated in the PRC from an independent third party for a cash consideration of RMB109 million. The acquired company owned the property development right on a piece of land adjacent to Shanghai Rui Hong Xin Cheng project.

The acquisition was accounted for during the six months ended 30 June 2010 as purchase of assets and liabilities rather than as business combination as the subsidiary acquired is an investment and property holding company with no business concerns.

The net assets acquired in the transaction were as follows:

	RMB'million (Unaudited)
Investment properties under construction or development	67
Properties under development for sale	45
Accounts receivable, deposits and prepayments	4
Other payables and accrued charges	(7)
Net assets acquired	109
Cash consideration	109

During the six months ended 30 June 2010, the acquired company did not contribute any turnover or results to the Group.

(b) Acquisition of additional ownership interests in a subsidiary

Pursuant to a supplementary shareholder agreement entered into between SOD, Foresight Profits Limited ("Foresight"), Hollyfield Holdings Limited, Selfers Limited, Silomax Limited (indirect subsidiaries of the Company) and Elegant Partners Limited ("EPL", a non-controlling shareholder which owns 24.75% of equity interest in Foresight which indirectly owns all ownership interest in a PRC enterprise which is engaged in Rui Hong Xin Cheng project) dated 1 April 2011, EPL agreed to disposed of, and SOD agreed to acquire from EPL, EPL's rights and interests in relation to a particular phase of the Rui Hong Xin Cheng project for a consideration of RMB378 million.

EPL agreed that the consideration of RMB378 million was advanced to Foresight to finance the Rui Hong Xin Cheng project. The amount owed to EPL is unsecured, interest bearing at 110% of People's Bank of China Prescribed Interest Rate and will not be demanded for payment, until Foresight is in a position to repay the loan, which is to be mutually agreed between both parties. The Directors are in the opinion that the loan is not repayable in the next twelve months from the end of the reporting period.

18. ACQUISITIONS AND DISPOSALS (CONTINUED)

(c) Disposal of subsidiaries

During the six months ended 30 June 2011, the Group disposed of certain subsidiaries which engaged in the property development of a project in Hangzhou, the PRC to an independent third party for a cash consideration of RMB438 million. The net assets disposed of in the transaction were as follows:

	RMB'million (Unaudited)
Investment properties under construction or development	348
Bank balances and cash	96
Other payables and accrued charges	(6)
Net assets disposed of	438
Consideration received	438
Gain on disposal	–
Cash consideration in cash and cash equivalent	438
Less: cash and cash equivalent balances disposed of	(96)
Net cash inflow on disposal of subsidiaries	342

During the six months ended 30 June 2011 and 2010, the disposed subsidiaries did not contribute any turnover or results to the Group.

19. PLEDGE OF ASSETS

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

	30 June 2011 RMB'million (Unaudited)	31 December 2010 RMB'million (Audited)
Investment properties	19,068	17,091
Property, plant and equipment	145	114
Prepaid lease payments	41	42
Properties under development for sale	5,813	6,065
Properties held for sale	19	33
Accounts receivable	62	45
Bank deposits	3,282	1,885
	28,430	25,275

Included in pledged bank deposits above is an amount of RMB265 million (31 December 2010: RMB265 million) which has been pledged to secure banking facilities granted to an associate. All the other assets were pledged to secure banking facilities granted to the Group.

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

20. COMMITMENTS AND CONTINGENCIES

As of the end of the reporting period, the Group had the following commitments:

	30 June 2011 RMB'million (Unaudited)	31 December 2010 RMB'million (Audited)
Contracted but not provided for:		
Development costs for investment properties under construction or development	4,268	4,673
Development costs for properties under development for sale	10,404	9,906
	14,672	14,579

As of 30 June 2011, the Group has provided the maximum guarantee of RMB240 million to secure its associate – Richcoast Group Limited for setting up a joint venture company with an independent third party.

Except as disclosed above, there have been no material changes in the Group's capital and other commitments as well as contingent liabilities since 31 December 2010.

21. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
Nature of transactions	2011 RMB'million (Unaudited)	2010 RMB'million (Unaudited)
SOCL and its subsidiaries other than those of the Group		
Rental and building management fee expenses	16	13
Travelling expenses	1	11
Project management fee income	7	5
SOCL's associates		
Project construction costs	337	161
Property sales	19	–
Associates		
Interest income	11	16
Imputed interest income	17	19
Project management fee income	9	8
Non-controlling shareholders of subsidiaries		
Interest expenses	78	68
Property management fee expenses	1	2
Senior management		
Property sales	7	20
Remunerations	36	35

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.025 per share (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.

DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Long position in the ordinary shares and the underlying shares of the Company

	Number of ordinary shares			Interests in the underlying shares			
Name of Directors	**Personal interests**	**Family interests**	**Other interests**	**Share options (Note 4)**	**Other equity derivatives**	**Total**	**Approximate percentage of interests in the Company**
Mr. Vincent H. S. LO	–	1,333,430 (Note 1)	2,653,267,485 (Note 2)	–	276,182,711 (Note 5)	2,930,783,626	56.24%
Mr. Freddy C. K. LEE	286,000	208,500 (Note 3)	–	5,080,009 (Note 3)	–	5,574,509	0.10%
Dr. William K. L. FUNG	4,133,593	–	–	–	–	4,133,593	0.08%
The Honourable LEUNG Chun Ying	–	–	–	500,000	–	500,000	0.01%
Sir John R. H. BOND	–	–	–	500,000	–	500,000	0.01%
Dr. Edgar W. K. CHENG	–	–	–	500,000	–	500,000	0.01%
Professor Gary C. BIDDLE	220,000	–	–	500,000	–	720,000	0.01%
Dr. Roger L. McCARTHY	–	–	–	500,000	–	500,000	0.01%
Mr. David J. SHAW	–	–	–	500,000	–	500,000	0.01%

Notes:

(1) These shares were beneficially owned by Ms. Loletta CHU ("Mrs. Lo"), the spouse of Mr. Vincent H. S. LO ("Mr. Lo"). Mr. Lo was deemed to be interested in such shares under Part XV of the SFO.

(2) These shares were beneficially owned by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,411,712,352 shares, 1,104,085,477 shares and 137,469,656 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI") and New Rainbow Investments Limited ("NRI") respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) Mr. Freddy C. K. LEE was deemed to be interested in 208,500 shares and 948,889 share options held by his spouse under Part XV of the SFO.

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

(5) Chester International Cayman Limited ("Chester International") was taken to be interested in 276,182,711 shares as a result of the equity swap transactions entered into between Chester International as equity swap receiver and Standard Chartered Bank, Singapore Branch as equity swap payer on 7 September 2010 and 8 September 2010 respectively. Chester International is a direct wholly-owned subsidiary of SOI. Accordingly, Mr. Lo was deemed to be interested in such shares under Part XV of the SFO.

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(b) Interests in the debentures of the associated corporation of the Company

Name of Director	Name of associated corporation	Nature of Interests	Amount of Debentures
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal	RMB5,000,000

Save as disclosed above, at 30 June 2011, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHAREHOLDERS' INTERESTS IN SECURITIES

At 30 June 2011, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests to the issued share capital of the Company at 30 June 2011 (Note 6)
Mrs. LO	Family and Personal	2,930,783,626 (L) (Notes 1 & 3)	56.24%
HSBC Trustee	Trustee	2,929,450,196 (L) (Notes 2 & 3)	56.21%
Bosrich	Trustee	2,929,450,196 (L) (Notes 2 & 3)	56.21%
SOCL	Interest of Controlled Corporation	2,929,450,196 (L) (Notes 2 & 3)	56.21%
Chester International	Beneficial Owner	276,182,711 (Note 3)	5.30%
Standard Chartered PLC	Interests of Controlled Corporation	299,214,305 (L) 298,861,956 (S) (Notes 4 & 5)	5.74% 5.73%

Notes:

(1) In respect of such shares, 2,654,600,915 shares were comprised of 1,333,430 shares beneficially held by Mrs. Lo and 2,653,267,485 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 2,653,267,485 shares under Part XV of the SFO.

(2) In respect of such shares, 2,653,267,485 shares were beneficially owned by SOCL through its controlled corporations, comprising 1,411,712,352 shares, 1,104,085,477 shares and 137,469,656 shares held by SOP, SOI and NRI respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC Trustee is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) Chester International was taken to be interested in 276,182,711 shares as a result of the equity swap transactions entered into between Chester International as equity swap receiver and Standard Chartered Bank, Singapore Branch as equity swap payer on 7 September 2010 and 8 September 2010 respectively. Chester International is a direct wholly-owned subsidiary of SOI. Accordingly, each of Mrs. Lo, HSBC Trustee, Bosrich and SOCL was deemed to be interested in such shares under Part XV of the SFO.

(4) (L) represents long positions and (S) represents short positions.

(5) The interests are held by Standard Chartered Bank, which is wholly owned by Standard Chartered Holdings Limited, which is in turn ultimately owned by Standard Chartered PLC. Standard Chartered Bank was in a long position of 299,214,305 shares and a short position of 298,861,956 shares (within which the short position consisting of 298,861,956 shares and long position of 180,260,029 shares are derived from the interest in equity derivatives).

(6) These percentages have been compiled based on the total number of shares of the Company in issue (i.e. 5,211,587,981 shares) at 30 June 2011.

Save as disclosed above, at 30 June 2011, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 are set out in note 17 to the Condensed Consolidated Financial Statements.

The following table sets out the movement of the Company's share options during the six months ended 30 June 2011:

Name or category of eligible participants	Date of grant	Exercise price per share HK$	At 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2011	Period during which the share options are exercisable
Directors								
Mr. Freddy C. K. LEE	20 June 2007	7.00	3,520,407	–	–	(51,021)	3,469,386	20 June 2009 – 19 June 2016
	2 June 2008	7.34	671,466	–	–	(9,732)	661,734	2 June 2010 – 1 June 2017
The Honourable LEUNG Chun Ying	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Sir John R. H. BOND	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Edgar W. K. CHENG	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Professor Gary C. BIDDLE	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Roger L. McCARTHY	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. David J. SHAW	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. Louis H. W. WONG (Note 1)	20 June 2007	7.00	5,428,570	–	–	(1,346,937)	4,081,633	1 April 2011 – 30 September 2011
Sub-total			12,620,443	–	–	(1,407,690)	11,212,753	
Consultants								
Mr. Richard K. N. HO	20 June 2007	7.00	1,000,000	–	–	–	1,000,000	20 June 2007 – 19 June 2016
Dr. Thomas K. F. LEUNG	20 June 2007	7.00	500,000	–	–	–	500,000	20 June 2007 – 19 June 2012
Sub-total			1,500,000	–	–	–	1,500,000	
Employees (in aggregate)	20 June 2007	7.00	77,941,915	–	–	(9,007,523)	68,934,392	20 June 2009 – 19 June 2016
	1 August 2007	8.18	1,109,933	–	–	(250,173)	859,760	1 August 2009 – 31 July 2016
	2 October 2007	10.00	2,066,456	–	–	(250,571)	1,815,885	2 October 2009 – 1 October 2016
	1 November 2007	11.78	724,550	–	–	(109,687)	614,863	1 November 2009 – 31 October 2016
	3 December 2007	9.88	580,866	–	–	(384,338)	196,528	3 December 2009 – 2 December 2016
	2 January 2008	8.97	3,178,009	–	–	(145,961)	3,032,048	2 January 2010 – 1 January 2017
	1 February 2008	8.05	1,444,882	–	–	(86,159)	1,358,723	1 February 2010 – 31 January 2017
	3 March 2008	7.68	633,008	–	–	(87,848)	545,160	3 March 2010 – 2 March 2017
	2 May 2008	7.93	5,421,932	–	–	(859,170)	4,562,762	2 May 2010 – 1 May 2017
	2 June 2008	7.34	12,994,246	–	–	(1,570,227)	11,424,019	2 June 2010 – 1 June 2017
	2 July 2008	6.46	947,231	–	–	(208,393)	738,838	2 July 2010 – 1 July 2017
	4 September 2009	4.90	20,989,141	–	–	(1,066,013)	19,923,128	3 November 2010 – 2 November 2017
Sub-total			128,032,169	–	–	(14,026,063)	114,006,106	
Total			142,152,612	–	–	(15,433,753)	126,718,859	

Notes:

(1) Mr. Louis H. W. WONG resigned as an executive director of the Company with effect from 16 March 2011 and his share options will lapse on 1 October 2011.

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

CORPORATE GOVERNANCE

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

Model Code for Securities Transactions

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

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

CORPORATE GOVERNANCE (CONTINUED)

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

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. 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.

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.

DISCLOSURES UNDER RULE 13.21 OF THE LISTING RULES

On 28 November 2006, the Company entered into a guarantee (the "Guarantee") to guarantee the performance of its subsidiary, Chongqing Shui On Tiandi Property Development Company, Limited ("Chongqing Tiandi"), under a loan facility of up to RMB300,000,000 granted by The Hongkong and Shanghai Banking Corporation Limited, Shanghai Branch and subsequently transferred and assigned to HSBC Bank (China) Company Limited, Chongqing Branch (the "Chongqing HSBC Loan"). The Guarantee requires that Mr. Lo, a director of the Company, has to remain as a controlling shareholder of the Company and that the Company has to maintain its indirect and beneficial ownership in Chongqing Tiandi. The Chongqing HSBC Loan was repaid on 27 May 2011.

On 16 December 2009, Shui On Development (Holding) Limited ("SODH") (being the immediate subsidiary of the Company) as borrower, the Company as guarantor, the original lenders as lenders, and BNP Paribas Hong Kong Branch as the coordinating arranger and facility agent entered into a facility agreement in relation to a three-year term loan facility of HK$1,000,000,000 (the "BNP Loan"). Pursuant to the facility agreement, there is a requirement that Mr. Lo and his family be the single largest shareholder of the Company and maintains a minimum 35% of the direct or indirect legal and beneficial interest in the Company during the term of the facility agreement.

On 23 December 2010, a written agreement (the "2013 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB Trustees (Hong Kong) Limited ("DB") as trustee of the RMB3,000,000,000 US$ settled 6.875% senior notes due 2013 issued by SODH (the "2013 Notes"), pursuant to which the 2013 Notes were issued. The 2013 Indenture provided that upon the occurrence of a Change of Control (as defined in the 2013 Indenture), SODH will make an offer to repurchase all outstanding 2013 Notes at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 23 December 2010.

On 26 January 2011, a written agreement (the "2015 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the RMB3,500,000,000 US$ settled 7.625% senior notes due 2015 issued by SODH (the "2015 Notes"), pursuant to which the 2015 Notes were issued. The 2015 Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 Indenture), SODH will make an offer to repurchase all outstanding 2015 Notes at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 26 January 2011.

On 20 April 2011, King Concord Limited as borrower, the Company as guarantor and Standard Chartered Bank (Hong Kong) Limited ("SCB"), United Overseas Bank Limited, Bank of China Limited, Macau Branch, The Bank of East Asia, Limited and Tai Fung Bank Limited as lenders, the mandated lead arrangers and SCB as coordinator, agent and security agent entered into a facility agreement in relation to a three-year term loan facility of up to HK$1,550,000,000 (the "King Concord Loan"). Pursuant to the facility agreement, there is a requirement that Mr. Lo beneficially owns at least 35% of the issued share capital of the Company or acts as the Chairman of the Company or maintains control over the Company during the term of the facility agreement.

Any breach of the above obligations will cause a default in respect of the BNP Loan, the 2013 Notes, the 2015 Notes and the King Concord Loan, and may trigger cross defaults in other outstanding debts of the Group in the aggregate amount of approximately RMB17,458 million as of 30 June 2011.

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Vincent H. S. LO
(Chairman)

Mr. Freddy C. K. LEE
(Managing Director and Chief Executive Officer)

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

Non-executive Directors

The Honourable LEUNG Chun Ying
Mr. Frankie Y. L. WONG

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FINANCE COMMITTEE

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

COMPANY SECRETARY

Mr. UY Kim Lun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Freshfields Bruckhaus Deringer
Mayer Brown JSM

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6-8 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

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WEBSITE

www.shuionland.com

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