瑞安房地產
SHUI ON LAND

STRATEGIC GROWTH

BEYOND THE HORIZON

銳意進取 拓新領域

SHUI ON LAND LIMITED
INTERIM REPORT 2008

瑞安房地產有限公司
二零零八年中期業績報告

STOCK CODE 股份代號：272

Contents 目錄

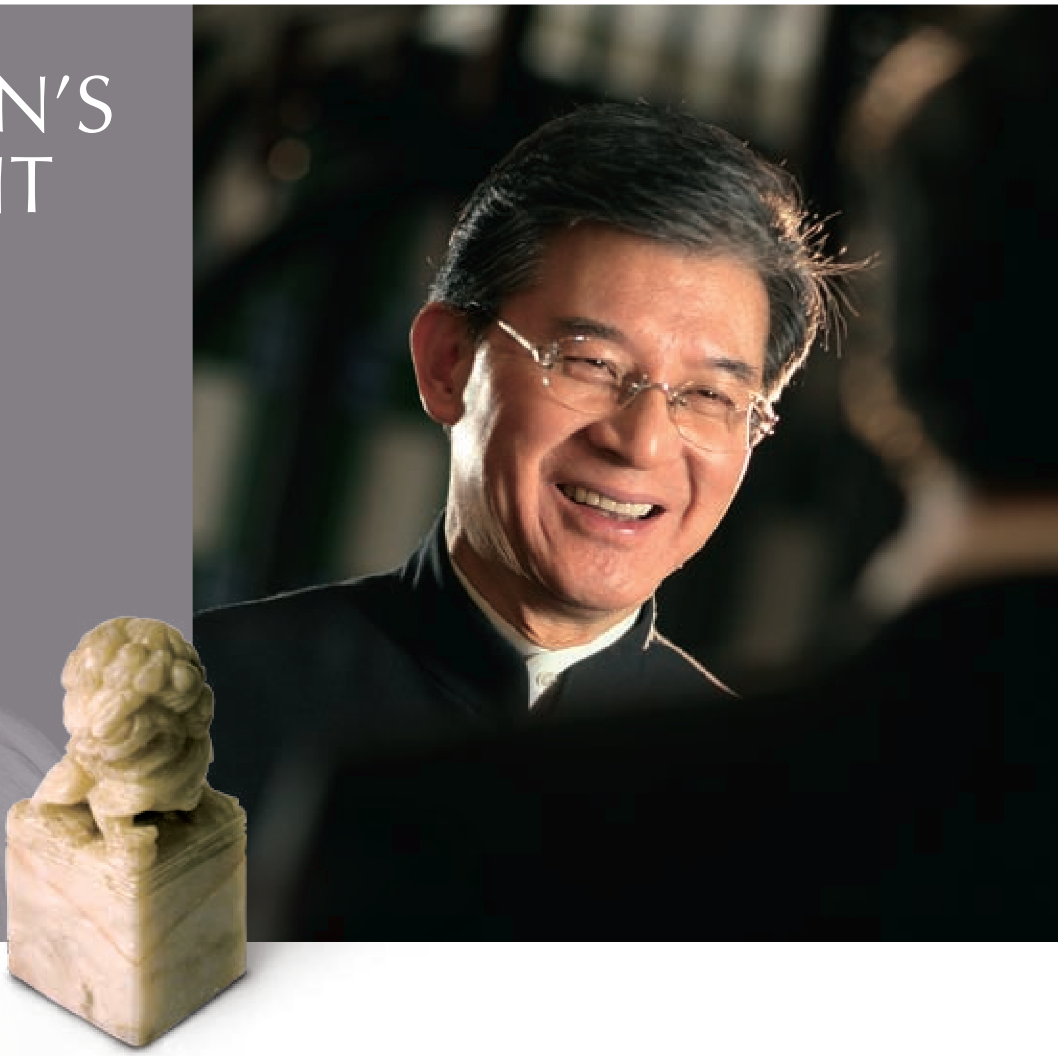
Innovative Developer for China	01	中國內地具創意的房地產開發商
Chairman's Statement	02	主席報告
Management Discussion and Analysis	06	管理層討論及分析
Report on Review of Interim Financial Information	25	中期財務資料的審閱報告
Condensed Consolidated Income Statement	26	簡明綜合收益表
Condensed Consolidated Balance Sheet	27	簡明綜合資產負債表
Condensed Consolidated Statement of Changes in Equity	28	簡明綜合權益變動表
Condensed Consolidated Cash Flow Statement	29	簡明綜合現金流量表
Selected Explanatory Notes To the Condensed Consolidated Financial Statements	30	經甄選的簡明綜合財務報表解釋附註
Dividend and Book Close	47	股息及截止過戶日期
Directors' Interests	47	董事的權益
Substantial Shareholders' Interests	49	主要股東的權益
Share Option Scheme	49	購股權計劃
Corporate Governance	51	企業管治
Purchase, Sale or Redemption of Shares	53	購買、出售或贖回股份
Disclosure under Rule 13.21 of the Listing Rules	53	根據上市規則第13.21條作出的披露
Employees and Remuneration Policy	53	僱員及薪酬政策
Corporate Information	54	公司資料

INNOVATIVE DEVELOPER FOR CHINA

Headquartered in Shanghai, Shui On Land Limited (HKSE: 272) is the flagship property company of the Shui On Group in the Chinese Mainland. Shui On Land has a proven track record in master planning and developing large-scale, mixed-use city-core projects and integrated residential developments in the Chinese Mainland. The Company has access to approximately 13.2 million sq.m. of gross floor area (GFA), including public facilities, and currently has eight projects in various stages of development in the city centres of Shanghai, Hangzhou, Chongqing, Wuhan, Dalian and Foshan. The Company was listed on The Stock Exchange of Hong Kong Limited on 4 October 2006. Shui On Land was included in the 200-Stock Hang Seng Composite Index Series, Hang Seng Freefloat Index Series, MSCI Standard Index Series and MSCI Global Growth Index Series in March 2007.

As one of China's most visionary and innovative property developers, Shui On Land applies its hallmark approach of master planning to all of its projects to ensure that our developments are fully consistent with government objectives in economic development and urban planning while simultaneously incorporating local historical and cultural characteristics into our designs and usages.

CHAIRMAN'S STATEMENT



"Our strong performance was attributed largely to the strength of the strategic platform we have built in recent years and our understanding of the market trends and conditions, as well as China's increasing private affluence and the strong demands in local markets for quality homes."

The first half of 2008 continued to mark the success of Shui On Land's strategic growth. We have achieved record sales performance amid the challenging market conditions and tightened credit markets across the Chinese Mainland where the property industry generally experienced a decline in property sales. Our strong performance was attributed largely to the strength of the strategic platform we have built in recent years and our understanding of the market trends and conditions, as well as China's increasing private affluence and the strong demands in local markets for quality homes.

I am pleased to report that for the six months ended 30 June 2008, we recorded a turnover of RMB2,184 million or HK$2,381 million, profit attributable to shareholders of RMB1,778 million or HK$1,938 million and underlying profit attributable to shareholders, excluding the revaluation of investment properties and fair value adjustment on derivative financial instruments, of RMB1,577 million or HK$1,719 million, an increase of 70% over the same period in 2007.

Record Sales Surpassed Market Average

The quality of our products and services, the innovation embedded in our design and the long-term value brought to our properties via master planning contributed to the positive results we achieved. While property markets and prices across the Chinese Mainland had been adjusted during the first six months of 2008, selling prices for high-end properties remained strong in the cities where we have presence, particularly Shanghai, Wuhan and Chongqing.

The third phase of our prestigious residential development in Shanghai Taipingqiao project "Casa Lakeville" was launched for sale in June 2008. Of the 241 units in Towers 1, 2 and 10, 96 units were sold within the first week of sales, achieving an average selling price of RMB86,000 per sq.m. The average sales price of Lakeville Regency recorded in the same period last year was only RMB54,500.

Residential sales went well at Shanghai Knowledge and Innovation Community ("Shanghai KIC") at Yangpu District. As of 30 June 2008, 36 units or 5,300 sq.m., representing 7% of the total saleable GFA of the Shanghai KIC Village R1 remained available. Average selling price reached RMB21,000 per sq.m.

Riding on the successful launch of the first phase of the residential development at our Wuhan Tiandi project, Lot A7 comprising 265 units or 39,000 sq.m. was introduced to the market for pre-sale in early May 2008. As of 30 June 2008, approximately 70% of these units had been sold, achieving an average selling price of RMB14,500 per sq.m., a 7.4% increase over the units that were sold in October 2007.

In April 2008, our Chongqing Tiandi project launched its first batch of 246 units or 30,500 sq.m. out of a total of 784 units in The Riviera. The launch was initially well received by the market, achieving an average selling price of RMB11,000 per sq.m. However, sales were understandably suspended after the Sichuan earthquake in May. A re-launch has been planned for the fourth quarter of 2008 after the Olympic Games.

Chairman's Statement

Commendable Project Development Progress

While projects in Shanghai, Wuhan and Chongqing sold well and achieved record sales price, other new projects are also progressing well.

During the first half of 2008, the DALIAN TIANDI.software hub joint venture won the bid for three more plots of land at Huangnichuan Road North with a total GFA of approximately 394,000 sq.m. and by then acquired all the land development rights for approximately 1.77 million sq.m. We expect to launch the first office building in December 2009.

Relocation at Foshan Lingnan Tiandi progressed faster than expected, with the land for the first phase of Lingnan Tiandi officially handed over to the Foshan Project team, signifying that the redevelopment project is progressing from relocation and dismantling to the construction stage. Site investigation work at the hotel and retail area was completed in June 2008 while architecture and structural survey on certain heritage buildings is in progress.

In Yunnan, the Company made steady progress pursuant to memoranda of understanding signed during 2006 and 2007 for the proposed development of integrated tourism resorts in the four cities, namely Kunming, Dali, Lijiang and Diqing (Shangri-La). In February, we signed a framework agreement with Lijiang City Government for the Lashihai project located in Yulong County, Lijiang. In April, we signed a strategic framework agreement with the Yunnan Provincial Government for our four interactive projects in these cities to help transform the sightseeing based tourism of the province to an Alpine leisure resort model.

Sustainability Underpins Company's Development

Shui On Land sees sustainable development as critical for the Company's long-term growth. We are committed to incorporating the highest international and national level of sustainability certification into every project we develop wherever possible. Following the pre-certification of Leadership in Energy and Environmental Design (LEED) for Core and Shell at Platinum level from the US Green Building Council obtained by Xihu Tiandi in Hangzhou, the 26th floor of our headquarters Shui On Plaza obtained LEED for Commercial Interiors (LEED-CI) Silver rating in February, making it one of the few projects in the Chinese Mainland to have achieved LEED-CI certification. Other projects are also in the process of seeking relevant LEED certifications.

These awards and initiatives show that Shui On Land is not only a leader in environmental conservation in the property industry, but is also recognised as a world-class developer by major international organisations.

Enhanced Corporate Governance Furthers Transparency

The Company has taken new measures in Corporate Governance to enhance its communications with shareholders. With effect from the Annual General Meeting held on 5 June 2008, the conducting language was changed to Cantonese with simultaneous interpretation in English, and a "Networking with Shareholders" session was conducted immediately after the meeting to provide shareholders an opportunity to discuss with the senior management the latest business initiatives and long-term development strategy of the Company.

In May 2008, as testimony to financial professionals' recognition of our strong corporate strategies, management and brand, we won an "Outstanding China Property Award 2008" from Hong Kong Economic Digest, a leading local business and financial magazine. This was followed by our winning of the 4th Corporate Governance Asia Recognition Awards 2008 organised by Corporate Governance Asia. The award was in recognition of Shui On Land's unfailing efforts in the pursuit of higher standards of corporate governance.

Strategic Partnerships Realise Long-term Value

Good progress was made on enhancing our strategic partnerships as part of our long-term strategy to increasing shareholder value. On 30 June 2008, we completed the sale of a 25% interest in our Shanghai Rui Hong Xin Cheng development project to Winnington Capital Limited ("WCL") for a consideration of RMB1,125 million, giving rise to a gain on disposal of RMB862 million. As part of the same transaction, WCL was granted an option to acquire a further 24% interest during the period from 1 to 31 December 2008. This strategic cooperation allows us to release internal resources for new projects that will create more value for our shareholders.

We will continue to forge strategic partnerships with developers, contractors, consultants and other investors to bring long-term benefits to both the company and our shareholders.

Talent Management

The Company's position as a leading property developer in the Chinese Mainland relies on the skills, dedication and expertise of our management and staff. We have undertaken a milestone initiative to establish the Shui On Academy to provide quality and systematic in-house management training to ensure that staff members gain the knowledge they need to achieve the Company's goals as well as for their personal development. We intend to sign a partnership agreement with the Ross School of Business, University of Michigan, in the second half of 2008 to develop a comprehensive range of programmes.

Our vision of nurturing young talents goes beyond the Company. We have signed an agreement with NIIT, a world-leading IT software training company, to set up training facilities at DALIAN TIANDI.software hub to further enhance IT talent training in Dalian.

Future Outlook

Despite the subprime crisis and the effect on the credit markets, we continue to be positive about the mid-term and long-term prospects for both Shui On Land and the China property market. China's robust economic growth, rapid urbanisation and the transformation of Chinese society, along with the growth and aspirations of the middle class, will be the significant factors in China's continued development. In addition, the austerity measures currently in force are expected to be relaxed towards the end of the year. We believe the property market is at the heart of this overall development and will continue to prosper.

Going forward, I have full confidence that the outstanding team of Shui On People will help us meet any challenges as they arise, and enable us to further realise our goal of becoming the most visionary and innovative leader in the world's largest property market.

Vincent H. S. LO
Chairman & Chief Executive Officer
Hong Kong, 22 August 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

Property Sales

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

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

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

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

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

Shanghai

Lakeville

Despite challenging market conditions, Casa Lakeville was well received by the market with sales prices reaching record high.

Management Discussion and Analysis

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

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

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

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

** *The average selling price is quoted based on the net floor area which is the common practice in Chongqing's property market.*

Hangzhou

During the first six months of the year, Hangzhou Xihu Tiandi Phase 1 continued to be fully let.

Xihu Tiandi

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

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

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

Chongqing

The Riviera

Construction of the first phase of the residential development at Chongqing Tiandi was completed in June 2008 while construction of the commercial use buildings is expected to complete in early 2009.

Property Investments

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

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

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

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

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

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

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

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

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

Hangzhou Xihu Tiandi Phase 1 continued to be fully let.

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

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

Management Discussion and Analysis

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

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

Property Development

Shanghai Taipingqiao:

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

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

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

Shanghai Rui Hong Xin Cheng:

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

Shanghai Knowledge and Innovation Community:

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

Hangzhou Xihu Tiandi:

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

Chongqing Tiandi:

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

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

Wuhan Tiandi:

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

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

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

DALIAN TIANDI.software hub:

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

Foshan Lingnan Tiandi:

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

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

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

Based on the latest assessment, the amounts of saleable GFA to be completed in the second half of 2008 (for sale and pre-sale, see page 9 and note below) and each of the next three years are set out as follows:

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

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

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

Management Discussion and Analysis

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

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

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

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

Landbank

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

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

Wuhan

武漢

Wuhan Tiandi

Since the pre-sale launch in May 2008, approximately 70% of the residential units in The Riverview at Wuhan Tiandi were sold.

Management Discussion and Analysis

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

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

- Dali: North Area, Hai Dong New District, Dali（大理市海東新區北片區）, has a proposed GFA of approximately 2.5 million sq.m.;
- Diqing (Shangri-La): Ming Jun Area, Xiao Zhong Dian Town, Shangri-La County, Diqing（迪慶州香格里拉縣小中甸明峻地區）, has a proposed GFA of approximately 0.8 million sq.m.;
- Lijiang: La Shi Hai Pian Area, Yulong County, Lijiang City（麗江市玉龍縣拉市海片區）, has a proposed GFA of approximately 0.8 million sq.m.; and
- Kunming: Northern Caohai District adjacent to the famous Dianchi Lake in Kunming City（昆明市滇池縣草海北部片區）which has a proposed GFA of approximately 2.5 million sq.m.

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

DALIAN TIANDI.software hub

Dalian

In the first six months of 2008, the DALIAN TIANDI.software hub joint venture won the bid for three more plots of land at Huangnichuan Road North.

大連

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

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

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

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

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

Management Discussion and Analysis

Accelerate Growth through Strategic Partnerships

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

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

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

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

Market Outlook

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

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

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

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

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

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

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

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

Financial Review

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

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

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

Management Discussion and Analysis

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

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

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

For the six months ended 30 June 2008, **general and administrative expenses** increased by 50% to RMB353 million (2007: RMB236 million) due to higher employee benefits expenses and a higher level of professional and consulting fees that were required for the Group's business expansion during the period. The increase in employee benefits expenses included share compensation costs of RMB19 million (2007: RMB11 million) in respect of share options granted to staff so far and the effect of an increase in the number of average headcount to 1,248 for the six months ended June 2008 (2007: 1,048).

Foshan Lingnan Tiandi

Foshan

The handover of the land for the first phase of Foshan Lingnan Tiandi to Shui On Land signifies the redevelopment project has progressed from relocation to construction stage.

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

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

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

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

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

Taxation was RMB752 million (effective tax rate: 29%) for the six months ended June 2008 as compared to RMB190 million (effective tax rate of 12%) for the corresponding period in 2007. The significant increase in the effective tax rate was due largely to the PRC Land Appreciation Tax of RMB497 million (2007: RMB10 million), which included additional provision of RMB270 million that has been made and charged against income of the six months ended 30 June 2008 as a result of adjustments to the allocation of certain public facilities costs as development costs among the various property development companies incorporated in the PRC that undertake the development of the various phases of our Shanghai Taipingqiao project. The revised cost allocation has been accepted by the relevant local tax bureau in the recent income tax filling.

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

Profit attributable to shareholders of the Company for the six months ended 30 June 2008 was RMB1,778 million, an increase of 62% over the corresponding period in 2007 (2007: RMB1,098 million).

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

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

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

Management Discussion and Analysis

Capital Structure, Gearing Ratio and Funding

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

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

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

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

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

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

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

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

Kunming

Yunnan

The interactive projects in the four cities of Kunming, Dali, Lijiang and Diqing (Shangri-La) will help move the province towards an Alpine leisure resort tourism.

Pledged Assets

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

Capital and Other Development Related Commitments

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

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

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

Management Discussion and Analysis

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

Future Plans for Material Investments and Sources of Funding

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

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

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

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

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

Cashflow Management and Liquidity Risk

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

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

Interest Rate and Exchange Rate Risks

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

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

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

Report on Review of Interim Financial Information

To the Board of Directors of Shui On Land Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 26 to 46 which comprises the condensed consolidated balance sheet of Shui On Land Limited as of 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2008

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		Six months ended 30 June	
	Notes	**2008 RMB'million (unaudited)**	2007 RMB'million (unaudited)
Turnover	3	**2,184**	2,178
Cost of sales		**(789)**	(689)
Gross profit		**1,395**	1,489
Other income		**245**	128
Selling and marketing expenses		**(58)**	(48)
General and administrative expenses		**(353)**	(236)
Operating profit	4	**1,229**	1,333
Increase in fair value of investment properties	9	**296**	267
Gain on disposal and partial disposals of equity interests in subsidiaries	19(a)	**862**	1
Share of results of associates		**35**	–
Finance costs, net of exchange gain	5	**178**	(80)
Profit before taxation		**2,600**	1,521
Taxation	6	**(752)**	(190)
Profit for the period		**1,848**	1,331
Attributable to:			
Shareholders of the Company		**1,778**	1,098
Minority interests		**70**	233
		1,848	1,331
Dividends	7		
- Final dividend, paid		**373**	248
- Interim dividend, declared		**257**	203
Earnings per Share	8		
- Basic		**RMB 0.42**	RMB 0.26
- Diluted		**RMB 0.42**	RMB 0.26

Condensed Consolidated Balance Sheet

As of 30 June 2008

	Notes	**30 June 2008 RMB'million (unaudited)**	31 December 2007 RMB'million (audited)
Non-Current Assets			
Investment properties	9	**8,359**	7,994
Property, plant and equipment		**352**	260
Prepaid lease payments		**5,917**	4,325
Properties under development		**2,132**	1,734
Interests in associates	10	**161**	85
Loans to associates	10	**1,412**	981
Accounts receivable	11	**309**	312
Derivative financial instruments designated as hedging instruments	12	**51**	–
Pledged bank deposits		**1,629**	237
Defined benefit assets		**5**	6
Deferred tax assets		**–**	89
		20,327	16,023
Current Assets			
Properties under development for sale		**7,054**	6,281
Properties held for sale		**1,848**	325
Accounts receivable, deposits and prepayments	11	**1,933**	3,477
Loan receivable		**399**	240
Amounts due from associates	10	**459**	12
Amounts due from related parties		**75**	44
Amount due from a minority shareholder of a subsidiary		**6**	6
Early redemption rights on notes		**4**	11
Pledged bank deposits		**318**	617
Bank balances and cash		**2,931**	2,843
		15,027	13,856
Current Liabilities			
Accounts payable, deposits received and accrued charges	13	**2,338**	1,768
Amounts due to related parties		**112**	39
Amounts due to minority shareholders of subsidiaries		**837**	876
Tax liabilities		**798**	1,541
Loan from a minority shareholder of a subsidiary		**196**	100
Notes - due within one year	16	**2,546**	2,667
Bank borrowings - due within one year		**1,143**	1,514
Derivative financial instruments designated as hedging instruments	12	**–**	323
		7,970	8,828
Net Current Assets		**7,057**	5,028
Total Assets Less Current Liabilities		**27,384**	21,051
Capital and Reserves			
Share capital	14	**84**	84
Reserves	15	**17,420**	15,794
Equity attributable to shareholders of the Company		**17,504**	15,878
Minority interests		**1,158**	828
Total Equity		**18,662**	16,706
Non-Current Liabilities			
Loan from a minority shareholder of a subsidiary		**–**	93
Bank borrowings - due after one year		**6,629**	2,891
Deferred tax liabilities		**2,093**	1,361
		8,722	4,345
		27,384	21,051

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to shareholders of the Company											
	Share capital RMB'million	Share premium RMB'million	Merger reserve RMB'million (Note 15(a))	Special reserve RMB'million (Note 15(b))	Share option reserve RMB'million	Exchange reserve RMB'million	Hedge reserve RMB'million	Other reserves RMB'million (Note 15(c))	Retained earnings RMB'million	Total RMB'million	Minority interests RMB'million	Total RMB'million
At 1 January 2008	84	10,689	122	(411)	35	40	(84)	603	4,800	15,878	828	16,706
Exchange difference arising on translation of foreign operations	–	–	–	–	–	19	–	–	–	19	–	19
Fair value adjustments on derivative financial instruments designated as cash flow hedge	–	–	–	–	–	–	13	–	–	13	–	13
Net income recognised directly in equity	–	–	–	–	–	19	13	–	–	32	–	32
Profit for the period	–	–	–	–	–	–	–	–	1,778	1,778	70	1,848
Fair value adjustments on cash flow hedge recognised in consolidated income statement	–	–	–	–	–	–	104	–	–	104	–	104
Total recognised income for the period	–	–	–	–	–	19	117	–	1,778	1,914	70	1,984
Recognition of equity settled share-based payments expenses	–	–	–	–	19	–	–	–	–	19	–	19
Capital injection	–	–	–	–	–	–	–	–	–	–	14	14
Disposal of equity interests in subsidiaries	–	–	–	14	–	–	–	–	–	14	246	260
2007 final dividends of HK$0.10 per share paid	–	–	–	–	–	–	–	–	(373)	(373)	–	(373)
Release of special reserve	–	–	–	52	–	–	–	–	–	52	–	52
At 30 June 2008 (unaudited)	84	10,689	122	(345)	54	59	33	603	6,205	17,504	1,158	18,662
At 1 January 2007	84	10,684	122	(401)	–	69	(5)	603	2,796	13,952	1,213	15,165
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(17)	–	–	–	(17)	3	(14)
Deferred tax on intra-group balances	–	–	–	–	–	(19)	–	–	–	(19)	–	(19)
Fair value adjustments on derivative financial instruments designated as cash flow hedge	–	–	–	–	–	–	(39)	–	–	(39)	–	(39)
Net income (expenses) recognised directly in equity	–	–	–	–	–	(36)	(39)	–	–	(75)	3	(72)
Profit for the period	–	–	–	–	–	–	–	–	1,098	1,098	233	1,331
Fair value adjustments on cash flow hedge recognised in consolidated income statement	–	–	–	–	–	–	54	–	–	54	–	54
Total recognised income (expense) for the period	–	–	–	–	–	(36)	15	–	1,098	1,077	236	1,313
Recognition of equity settled share-based payments expenses	–	–	–	–	11	–	–	–	–	11	–	11
Capital injection	–	–	–	–	–	–	–	–	–	–	8	8
2006 final dividends of HK$0.06 per share paid	–	–	–	–	–	–	–	–	(248)	(248)	–	(248)
At 30 June 2007 (unaudited)	84	10,684	122	(401)	11	33	10	603	3,646	14,792	1,457	16,249

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008 RMB'million (unaudited)	2007 RMB'million (unaudited)
Net Cash from Operating Activities	**1,191**	1,453
Net Cash Used in Investing Activities		
Additions to properties under development	**(881)**	(1,092)
Additions to prepaid lease payments	**(1,672)**	(892)
(Increase) decrease in pledged bank deposits	**(1,093)**	40
Proceeds from partial disposal of equity interests in subsidiaries	**971**	–
Increase in investments in and loans to associates	**(414)**	–
Increase in amounts due from associates	**(447)**	–
Other investing cash flows	**(10)**	51
	(3,546)	(1,893)
Net Cash from Financing Activities		
New bank loans raised	**4,684**	1,145
Repayment of bank loans	**(1,041)**	(605)
Dividend paid	**(373)**	(248)
Settlement of derivative financial instruments	**(347)**	–
Other financing cash flows	**(522)**	(209)
	2,401	83
Net Increase (Decrease) in Cash and Cash Equivalents	**46**	(357)
Cash and Cash Equivalents at the Beginning of the Period	**2,843**	4,452
Effect of Foreign Exchange Rate Changes	**42**	(28)
Cash and Cash Equivalents at the End of the Period	**2,931**	4,067
Analysis of the Balances of Cash and Cash Equivalents		
Bank balances and cash	**2,931**	4,067

Selected Explanatory Notes
To the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

1. General

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

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

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except as described below.

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

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

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

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

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

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

2. Principal Accounting Policies (Continued)

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

3. Turnover and Segmental Information

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

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

Business segment

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

Principal activities are as follows:

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

Selected Explanatory Notes
To the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008

3. Turnover and Segmental Information (Continued)

Business segment (Continued)

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

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

Geographical segment

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

4. Operating Profit

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

Selected Explanatory Notes
To the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008

5. Finance Costs, Net of Exchange Gain

	Six months ended 30 June	
	2008 **RMB'million**	2007 RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**188**	103
Interest on amount due to a minority shareholder of a subsidiary wholly repayable within five years (Note 22)	**2**	2
Imputed interest on loan from a minority shareholder of a subsidiary wholly repayable within five years (Note 22)	**4**	5
Interest on notes	**158**	164
Less: Net interest income from cross currency interest rate swap	**(25)**	(48)
Total interest costs	**327**	226
Less: Amount capitalised to properties under development	**(304)**	(177)
	23	49
Loss on change in fair value of early redemption rights on notes	**7**	14
Net exchange (gain) loss on financing activities	**(233)**	10
Other finance costs	**25**	7
	(178)	80

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

6. Taxation

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

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

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

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

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

6. Taxation (Continued)

During the six months ended 30 June 2008, the Group has revised cost allocation for certain public facilities among various property development companies incorporated in the PRC that undertake the development of the various phases of the Shanghai Taipingqiao project. The revised cost allocation, which has been accepted by the relevant local tax bureau in the recent income tax filing, resulted in a change in accounting estimates for the provision in Land Appreciation Tax and, accordingly, an additional provision of RMB270 million has been made and charged to the condensed consolidated income statement for the six months ended 30 June 2008. Consequently, a corresponding reduction in deferred tax liabilities of RMB68 million has been made and credited to the condensed consolidated income statement for the same period.

7. Dividends

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

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

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

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

8. Earnings Per Share

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

	Six months ended 30 June	
Earnings	**2008** **RMB'million**	2007 RMB'million
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the period attributable to shareholders of the Company	**1,778**	1,098

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

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

Selected Explanatory Notes
To the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008

9. Investment Properties

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

The fair values of the Group's investment properties at 30 June 2008 and 31 December 2007 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, who has appropriate qualifications and recent experience in the valuation of similar properties in relevant locations. 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.

All of the Group's investment properties held under operating leases to earn rentals are classified as investment properties and are accounted for using the fair value model. The resulting increase in fair value of investment properties of RMB296 million (30 June 2007: RMB267 million) has been recognised as income in the condensed consolidated income statement.

During the period, prepaid lease payments and properties under development amounting to RMB10 million (2007: RMB354 million) and RMB6 million (2007: RMB818 million), respectively, were transferred to investment properties upon the completion of the construction of such properties.

10. Interest in Associates/Loans to Associates/Amounts due from Associates

	30 June 2008 RMB'million	31 December 2007 RMB'million
Cost of investments, unlisted	**100**	59
Share of post acquisition profits	**61**	26
	161	85
Loans to associates	**1,412**	981
Amounts due from associates	**459**	12

Loans to associates represent the loans to subsidiaries of Richcoast for financing the development of DALIAN Tiandi. software hub, a property development project in Dalian, the PRC.

Pursuant to the Joint Venture Agreement, the loans are unsecured, interest free and with no fixed terms of repayment until Many Gain International Limited ("Many Gain"), a shareholder of Richcoast which is an independent third party, has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 10% per annum, subject to shareholders' approval.

The loans are carried at amortised cost using the effective interest rates ranges from 5.4% to 7.3% (31 December 2007: 5.4%).

The amounts due from associates are unsecured, interest free and repayable on demand.

11. Accounts Receivable, Deposits and Prepayments

	30 June 2008 RMB'million	31 December 2007 RMB'million
Non-current accounts receivable comprise:		
Receivables from sales of properties (Note)	**271**	272
Deferred rental receivables	**38**	40
	309	312
Current accounts receivable comprise:		
Trade receivables (net of allowance for bad and doubtful debts) with aged analysis:		
Not yet due	**765**	284
Within 30 days	**147**	4
31 – 60 days	**2**	23
61 – 90 days	**–**	1
Over 90 days	**2**	19
	916	331
Consideration receivable on partial disposals of equity interests in subsidiaries	**135**	1,136
Prepayments of relocation costs	**587**	558
Deposit for land acquisition	**–**	1,200
Other deposits, prepayments and receivables	**295**	252
	1,933	3,477

Trade receivables comprise:

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

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

Note:

The amounts are unsecured and repayable on or before 31 December 2010. Included in the carrying amount is an amount of RMB157 million (31 December 2007: RMB152 million) at 30 June 2008 which is interest free whereas the remaining carrying amount of RMB114 million (31 December 2007: RMB120 million) is interest bearing as follows:

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

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

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

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

These receivables are carried at amortised cost at effective interest rate of 8% (31 December 2007: 8%) per annum.

12. Derivative Financial Instruments Designated as Hedging Instruments

The derivative financial instruments are measured at fair value at the balance sheet date. The fair values are determined based on valuation provided by the counterparty financial institution.

At 31 December 2007, the Group had outstanding cross currency interest rate swap to receive interest at fixed rate of 8.5% (2006: 8.5%) per annum based on notional amount of US$375 million, pay interest at fixed rate of 5.2% per annum based on notional amount of RMB2,931 million and to exchange the principal at maturity whereby would receive US$375 million and pay RMB2,931 million. The Group has designated the cross currency interest rate swap as a hedge against the variability of cash flows arising from the fluctuation of foreign currency exchange rate in relation to the notes issued by the Group. The terms of the cross currency interest rate swap have been negotiated to match the terms of the notes.

Selected Explanatory Notes
To the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008

12. Derivative Financial Instruments Designated as Hedging Instruments (Continued)

During the six months ended 30 June 2008, the cross currency interest rate swap had been terminated and an amount of RMB347 million was paid by the Group in cash to the swap counterparty. The fair value loss arising from the cross currency interest rate swap of RMB158 million (six months ended 30 June 2007: RMB39 million) have been deferred in equity as hedge reserve; an amount of RMB104 million (2007: RMB54 million) is recognised in the condensed consolidated income statement in line with the corresponding exchange gain recognised in respect of the notes liability designated as the hedged item. The remaining balance of the hedge reserve is expected to be recognised in the condensed consolidated income statement at various dates in the second half of 2008, which is the period in which the interest and the principal of the notes are expected to settle.

At 30 June 2008, the Group has outstanding interest rate swaps as part of the settlement upon early termination of the cross currency interest rate swap contracts. These interest rate swaps had an initial negative fair value of RMB120 million. Under these swaps, the Group would receive interests at variable rates at Hong Kong Inter-bank Borrowing Rate ("HIBOR") and pay interest at fixed rates ranging from 3.32% to 3.58% based on notional amounts which amounted to HK$4,581 million in aggregate. The Group has designated the interest rate swaps as hedge against the variability of cash flows arising from the interest rate fluctuations in relation to certain bank borrowings of the Group amounting to HK$4,581 million which bear variable interest rates at HIBOR plus spread ranging from 2.75% to 2.9%. 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 2008, fair value gain arising from the interest swaps of RMB171 million have been deferred in equity as hedge reserve.

13. Accounts Payable, Deposits Received and Accrued Charges

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

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

14. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	**US$'000**	**Number of shares**	**US$'000**
Ordinary shares of US$0.0025 each				
At 31 December 2007 and 30 June 2008	**12,000,000,000**	**30,000**	**4,185,597,171**	**10,464**

	30 June 2008 RMB'million	31 December 2007 RMB'million
Shown in the condensed consolidated balance sheet as	**84**	84

15. Other Reserves

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium 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 minority 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 minority 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 minority shareholders, which will be recognised in the condensed consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

During the six months ended 30 June 2008, an amount of RMB52 million (six months ended 30 June 2007: nil) was released to the condensed consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates, and an amount of RMB14 million (six months ended 30 June 2007: nil) was released to condensed consolidated income statement upon the partial disposal of equity interest in subsidiaries (Note 19(a)).

(c) Other reserve comprises:

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

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

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

16. Notes

The notes, which are denominated in United States dollars, bear interest at the rate of 8.5% per annum, payable semi-annually in arrears and will mature on 12 October 2008, unless earlier redeemed. The interest charged for the period is calculated by applying an effective interest rate of approximately 12% (six months ended 30 June 2007: 12%) to the notes for the period since the notes were issued.

The principal terms of the notes

The notes are:

(a) general, unsecured obligations of Shui On Development (Holding) Limited (the "Note Issuer"), a wholly owned subsidiary of the Company;

(b) senior in right of payment to any existing and future obligations of the Note Issuer expressly subordinated in right of payment to the notes;

(c) pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Note Issuer (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and

(d) effectively subordinated to all existing and future obligations of the Note Issuer's subsidiaries.

The Note Issuer may, at its option, redeem all or part of the notes at the redemption prices equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on 12 October of the years indicated below:

12-month period commencing in year	**Percentage**
2005	108.50%
2006	104.25%
2007	100.00%

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 purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 30 June 2008, 168,165,981 share options (31 December 2007: 150,409,189 share options) had been remained outstanding under the Scheme, representing 3.9% (31 December 2007: 3.6%) 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.

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

The vesting period and the exercisable period of the share options granted to eligible employees and a director 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

17. Share-Based Payment Transactions (Continued)

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.

During the six months ended 30 June 2008, an aggregate of 32,400,317 share options were granted on 2 January 2008, 1 February 2008, 3 March 2008, 2 May 2008 and 2 June 2008 to directors and eligible employees (six months ended 30 June 2007: 146,888,190 share options were granted to directors, eligible employees and consultants on 20 June 2007). The exercise price of the options granted on those dates are HK$8.97, HK$8.05, HK$7.68, HK$7.93 and HK$7.34 and the closing share price at the date of grant are HK$8.90, HK$8.05, HK$7.68, HK$7.93 and HK$7.34, respectively. The weighted average estimated fair values of the options granted on those dates are HK$3.35, HK$2.93, HK$2.80, HK$2.91 and HK$2.75, respectively. These fair values were calculated by using the Binominal model. The inputs into the model were as follows:

Expected volatility	40%
Expected life	4.57 years to 8.75 years
Risk-free rate	1.90% to 3.34%
Expected dividend yield	2%

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

The Group recognised the total expense of RMB19 million for the six months ended 30 June 2008 (six months ended 30 June 2007: RMB11 million) in relation to share options granted by the Company.

None of the share options were exercised during the six months ended 30 June 2008 and 2007.

Selected Explanatory Notes
To the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008

17. Share-Based Payment Transactions (Continued)

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

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

18. Acquisition of Subsidiaries

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

The transaction was accounted for as purchase of assets and liabilities rather than as business combination as the subsidiaries acquired are investment and property holding companies with no business concerns.

18. Acquisition of Subsidiaries (Continued)

The net assets acquired in the transaction were as follows:

	RMB'million
Net assets acquired:	
Investment properties	48
Property, plant and equipment	60
Amounts due from related companies	23
Properties held for sale	1
Accounts receivable, deposits and prepayments	2
Bank balances and cash	14
Other payables and accrued charges	(3)
Loan from Smithton	(138)
	7
Assignment of loan receivable from Silomax	138
Net assets acquired	145
Consideration:	
Cash	32
Other payable	113
Net assets acquired	145

The deferred consideration is unsecured, interest free and repayable on demand.

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

19. Disposal of Equity Interests in Subsidiaries

(a) Disposal of a 25% issued share capital of Foresight Profits Limited

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

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

Pursuant to this sale and purchase agreement, SOD also granted a call option to the purchaser to further acquire 24% of the issued share capital of Foresight at an exercise price of RMB1,134 million. This call option is exercisable during the period commencing from 1 December 2008 to 31 December 2008.

19. Disposal of Equity Interests in Subsidiaries (Continued)

(b) Disposal of the entire issued share capital of Bestwealth Holdings Limited

On 14 February 2007, the Group disposed of the entire equity interests in Bestwealth Holdings Limited to an independent third party for an aggregate cash consideration of RMB11 million. The net assets of the disposed subsidiaries at the date of disposal were as follows:

	RMB'million
Net assets disposed of:	
Property, plant and equipment	5
Bank balances and cash	7
Other payables and accrued charges	(1)
Exchange reserve realised	(1)
	10
Gain on disposal	1
Total consideration	11
Satisfied by:	
Cash consideration	11
Deferred consideration	(7)
	4

The impact of Bestwealth Holdings Limited on the Group's results and cash flows in prior period was insignificant.

20. Pledge of Assets

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

	30 June 2008 RMB'million	31 December 2007 RMB'million
Investment properties	**8,202**	7,937
Property, plant and equipment	**113**	134
Prepaid lease rentals	**682**	187
Properties under development	**1,255**	2,339
Properties held for sale	**553**	212
Bank deposits	**1,947**	854
	12,752	11,663

Included in bank deposits above is an amount of RMB585 million (31 December 2007: RMB285 million) which has been pledged to a bank to secure bank facilities granted to an associate (Note 21(c)).

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

21. Commitments and Contingencies

(a) Capital commitments

As of the respective balance sheet dates, the Group had the following commitments:

	30 June 2008 RMB'million	31 December 2007 RMB'million
Contracted but not provided for:		
Capital expenditure in respect of properties under development in the PRC	**5,098●**	5,046
Capital expenditure in respect of the acquisition of property, plant and equipment	**4**	19

(b) Other commitments

(i) DALIAN TIANDI.software hub

On 28 April 2008, the Group has agreed to provide further funding or financial assistance in equivalent of approximately RMB1,128 million to the associates formed for the development of DALIAN TIANDI.software hub project, whereby the Group ultimately holds a 48% effective interest. Details of the transactions are set out in the announcement dated 28 April 2008 and the circular date 19 May 2008.

At 30 June 2008, the Group had commitment in respect of investments in associates contracted but not provided for in the condensed consolidated financial statements amounting to approximately RMB412 million (31 December 2007: nil).

(ii) Foshan Lingnan Tiandi

On 30 November 2007, the Group entered into a Confirmation Agreement with the Land Exchange Center at Chancheng District in Foshan City, Guangdong Province, the PRC confirming the Group's successful bid for a plot of land in Foshan. Under this Confirmation Agreement, a total consideration for acquiring the land use rights of the land is amounted to RMB7,510 million. As of 30 June 2008, the Group has made payments amounting to RMB2,656 million (31 December 2007: a refundable deposit amounting to RMB1,200 million) to the Land Exchange Center for acquiring the land in Foshan, in which RMB1,144 million has been recognised as prepaid lease payments and the remaining RMB1,512 million as property under development for sale.

Except as disclosed above, there have been no material changes in the Group's other commitments since 31 December 2007.

(c) Contingent liabilities

At 30 June 2007, the Group has issued guarantees amounting to RMB585 million (31 December 2007: RMB285 million) to banks in respect of banking facilities granted to an associate, in which the associate has drawn down bank loans amounting to RMB480 million (31 December 2007: RMB250 million).

Except as disclosed above, there have been no material changes in the Group's other contingent liabilities since 31 December 2007.

Selected Explanatory Notes
To the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008

22. Related Party Transactions

Apart from the related party transactions and balances as stated in notes 18 and 21 and the condensed consolidated balance sheet, the Group also had the following transactions with related parties during the period:

	Six months ended 30 June	
Nature of transactions	2008 RMB'million	2007 RMB'million
Related company in which directors of the Company have beneficial interest		
Project management fee income	12	10
Fellow subsidiaries		
Project construction fees	116	19
Rental and building management fee expenses	14	11
Associate		
Imputed interest income	50	–
Rental and building management fee expenses	1	2
Shareholder		
Rental and building management fee expenses	2	1
Minority shareholders of subsidiaries		
Interest income	1	14
Interest expenses	2	2
Imputed interest expenses	4	5
Project management fee expenses	2	2
Jointly controlled entity		
Rental and building management fee income	2	2
Senior management		
Sales of properties	8	–

23. Events after the Balance Sheet Date

Pursuant to a sale and purchase agreement dated 21 August 2008 entered into between Score High Limited ("Score High"), an indirectly held subsidiary in which the Group has 80.2% equity interest, as seller and an independent third party as purchaser, Score High agreed to sell to the purchaser a 25% of the issued share capital of Rightchina Limited ("Rightchina"), a then wholly owned subsidiary of the Company, at a consideration of RMB1,021 million in cash.

Pursuant to this sale and purchase agreement, Score High also granted a call option to the purchaser to further acquire 25% of the issued share capital of Rightchina at an exercise price of RMB1,072 million. This call option is exercisable during the period commencing from 1 December 2008 to 31 December 2008.

24. Comparative Figures

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

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

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

Dividend and Book Close

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

The register of members of the Company will be closed from 16 October 2008 to 22 October 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by registration not later than 4:30 p.m. on 15 October 2008.

Directors' Interests

As of 30 June 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) The Company

(i) Long position in the shares of the Company

Name of Director	Nature of interests	Interests in shares	Interests in underlying shares	Percentage of interests in the Company
Mr. Vincent H. S. LO	Other	2,277,750,225[1]	–	54.41%
Mr. William T. ADDISON	Personal	200,000	5,000,000[2]	0.12%
The Honourable LEUNG Chun Ying	Personal	–	500,000[2]	0.01%
Sir John R. H. BOND	Personal	–	500,000[2]	0.01%
Dr. Edgar W. K. CHENG	Personal	–	500,000[2]	0.01%
Dr. William K. L. FUNG	Personal	3,700,000	–	0.08%
Professor Gary C. BIDDLE	Personal	–	500,000[2]	0.01%
Dr. Roger L. McCARTHY	Personal	–	500,000[2]	0.01%
Mr. David J. SHAW	Personal	–	500,000[2]	0.01%

Notes:

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

2 *These represent interests of share options granted to the Directors under the share option scheme to subscribe for shares of the Company, further details of which are set out in the section "Share Option Scheme".*

Directors' Interests (Continued)

(b) Associated Corporation – SOCAM

(i) Long position in the SOCAM shares

Name of Director	Nature of interests	Interests in SOCAM shares	Percentage of interests in SOCAM
Mr. Vincent H. S. LO	Other	181,981,000[1]	56.56%
Dr. William K. L. FUNG	Personal	682,000	0.21%

Note:

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

(ii) Short position in the SOCAM shares

Name of Director	Nature of interests	Interests in SOCAM shares	Percentage of interests in SOCAM
Mr. Vincent H. S. LO	Other	1,600,000[1]	0.49%

Note:

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

Save as disclosed above, as of 30 June 2008, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Substantial Shareholders' Interests

As of 30 June 2008, the following shareholders (other than Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Interests in shares	Percentage of shareholding
HSBC International Trustee Limited	Trustee	2,277,750,225[1]	54.41%
Bosrich Holdings Inc.	Trustee	2,277,750,225[1]	54.41%
SOCL	Interest of Controlled Corporation	2,277,750,225[1]	54.41%
SOCAM	Interest of Controlled Corporation	396,071,631[2]	9.46%

Notes:

1 *The 2,277,750,225 shares are beneficially owned by SOCL through its subsidiaries comprising 940,000,000 shares, 941,678,594 shares and 396,071,631 shares held respectively by Shui On Properties Limited, Shui On Investment Company Limited and New Rainbow Investments Limited ("NRI"). SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings Inc. 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 is the trustee. Accordingly, Mr. LO, Bosrich Holdings Inc. and HSBC International Trustee Limited are deemed to be interested in such shares under the SFO.*

2 *These shares are beneficially owned by NRI, a wholly owned subsidiary of SOCAM. Accordingly, SOCAM is deemed to be interested in such shares under the SFO.*

3 *All the interests stated above represent long positions.*

Save as disclosed above, as of 30 June 2008, no short positions were recorded in the register required to be kept under section 336 of the SFO.

Share Option Scheme

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.

During the six months ended 30 June 2008, options were granted on 2 January, 1 February, 3 March, 2 May and 2 June. The exercise price of the options on those dates are HK$8.97, HK$8.05, HK$7.68, HK$7.93 and HK$7.34 and the closing price immediately before the date of grant are HK$9.10, HK$8.12, HK$7.58, HK$7.75 and HK$7.30, respectively. The weight average estimated fair values of the options granted on those dates are HK$3.35, HK$2.93, HK$2.80, HK$2.91 and HK$2.75, respectively. These fair values were calculated by using the Binominal model.

Share Option Scheme (Continued)

The following share options were outstanding under the Share Option Scheme during the six months ended 30 June 2008:

Name or category of eligible participants	Date of grant	Exercise price per share	At 1.1.2008	Granted during the period	Exercised during the period	Lapsed during the period	At 30.6.2008	Period during which options outstanding at 30.6.2008 are exercisable
		HK$						
Directors								
Mr. William T. ADDISON	20.6.2007	7.00	5,000,000	–	–	–	5,000,000	20.6.2009 - 19.6.2016
The Honourable LEUNG Chun Ying	20.6.2007	7.00	500,000	–	–	–	500,000	20.6.2007 - 19.6.2012
Sir John R. H. BOND	20.6.2007	7.00	500,000	–	–	–	500,000	20.6.2007 - 19.6.2012
Dr. Edgar W. K. CHENG	20.6.2007	7.00	500,000	–	–	–	500,000	20.6.2007 - 19.6.2012
Professor Gary C. BIDDLE	20.6.2007	7.00	500,000	–	–	–	500,000	20.6.2007 - 19.6.2012
Dr. Roger L. McCARTHY	20.6.2007	7.00	500,000	–	–	–	500,000	20.6.2007 - 19.6.2012
Mr. David J. SHAW	20.6.2007	7.00	500,000	–	–	–	500,000	20.6.2007 - 19.6.2012
Sub-total			8,000,000	–	–	–	8,000,000	
Consultants								
Mr. Richard K. N. HO	20.6.2007	7.00	1,000,000	–	–	–	1,000,000	20.6.2007 - 19.6.2016
Dr. Thomas K. F. LEUNG	20.6.2007	7.00	500,000	–	–	–	500,000	20.6.2007 - 19.6.2012
Sub-total			1,500,000	–	–	–	1,500,000	
Employees (in aggregate)								
	20.6.2007	7.00	128,166,798	–	–	(12,509,262)	115,657,536	20.6.2009 - 19.6.2016
	1.8.2007	8.18	1,435,193	–	–	(64,180)	1,371,013	1.8.2009 - 31.7.2016
	2.10.2007	10.00	5,200,000	–	–	(220,000)	4,980,000	2.10.2009 - 1.10.2016
	1.11.2007	11.78	4,505,498	–	–	(140,067)	4,365,431	1.11.2009 - 31.10.2016
	3.12.2007	9.88	1,601,700	–	–	(60,727)	1,540,973	3.12.2009 - 2.12.2016
	2.1.2008	8.97	–	3,725,183	–	(89,185)	3,635,998	2.1.2010 - 1.1.2017
	1.2.2008	8.05	–	2,419,238	–	(214,284)	2,204,954	1.2.2010 - 31.1.2017
	3.3.2008	7.68	–	813,794	–	–	813,794	3.3.2010 - 2.3.2017
	2.5.2008	7.93	–	9,722,499	–	(1,532,155)	8,190,344	2.5.2010 -1.5.2017
	2.6.2008	7.34	–	15,905,938	–	–	15,905,938	2.6.2010 -1.6.2017
Sub-total			140,909,189	32,586,652	–	(14,829,860)	158,665,981	
Total			150,409,189	32,586,652	–	(14,829,860)	168,165,981	

Note:

1 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.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2008.

To comply with the code provision A.5.4 of the CG Code, the Company established and adopted in March 2007 a Code for Securities Transactions by Relevant Employees, on no less exacting terms than the Model Code, to regulate dealings in the shares of the Company by certain employees of the Company or its subsidiaries who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its shares.

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

Board Composition

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

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

Audit Committee

During the six months ended 30 June 2008, the Audit Committee consists of three members, namely Professor Gary C. BIDDLE ("Professor BIDDLE"), Dr. Edgar W. K. CHENG and Dr. Roger L. McCARTHY. All of them are INEDs. The chairman of the Audit Committee is Professor BIDDLE.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2008, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditors.

Remuneration Committee

During the six months ended 30 June 2008, the Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. Vincent H. S. LO ("Mr. LO") and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. FUNG.

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

Corporate Governance (Continued)

Compliance with Code on Corporate Governance Practices

During the six months ended 30 June 2008, the Company has complied with the code provisions of the CG Code except for the following deviation:

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

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

Other than the above, the Company has also performed the following in furtherance to those corporate governance principles and practices as set out under the CG Code during the six months ended 30 June 2008:

1. To enhance the communications with shareholders in the Company's annual general meetings, with effect from the Annual General Meeting held on 5 June 2008, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Previous meetings were conducted in English with Cantonese interpretation. Most of the Directors were present at the Annual General Meeting held on 5 June 2008 and the meeting has provided a useful forum to exchange views with the Board.
2. To further enhance and provide more direct communications with the Company's shareholders, a "Networking with Shareholders" session was conducted immediately after the Annual General Meeting held on 5 June 2008. During the session, shareholders were provided a chance to discuss with senior management of the Company on a face-to-face dialogue. This session was well attended by shareholders. There were sharing of the latest business initiatives and long-term development strategy of the Company and answering of shareholders' questions.
3. In January 2008, the Company has officially distributed its Code of Conduct and Business Ethics (the "Code") to all of its staff for their acknowledgement. The Code also constitutes a standard agreement term with the Company's agents, representatives, consultants, contractors, sub-contractors, business partners, resellers, sales and marketing agents, and suppliers. The Code now serves as guidelines for Directors and staff on how to deal with conflicts of interest situations, business activities and relationship, and financial dealings.

Awards on Corporate Governance

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

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 period ended 30 June 2008.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

The Company has on 28 November 2006 entered into a guarantee (the "Guarantee") to guarantee the performance of its subsidiary, Chongqing Shui On Tiandi Property Development Co., Ltd. ("Chongqing Shui On"), under a 3-year loan facility of up to RMB300 million. The Guarantee requires that Mr. Vincent H. S. LO, the Chairman and Chief Executive Officer, has to remain as a controlling shareholder of the Company and that the Company has to maintain its indirect and beneficial ownership of not less than 70% of Chongqing Shui On. Breach of such obligations will cause a default in respect of the loan.

EMPLOYEES AND REMUNERATION POLICY

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

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

Corporate Information

Board of Directors

Executive Directors

Mr. Vincent H. S. LO
(Chairman & Chief Executive Officer)
Mr. William T. ADDISON
(Managing Director & Chief Financial Officer)

Non-executive Director

The Honourable LEUNG Chun Ying

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Company Secretary

Mr. UY Kim Lun

Qualified Accountant

Mr. George W. K. CHAN

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown JSM

Registered Office

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

Corporate Headquarters

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

Place of Business in Hong Kong

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

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P. O. Box 705, Grand Cayman KY1-1107
Cayman Islands

Branch Share Registrars 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

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

Stock Code

272

Website

www.shuionland.com

CONCEPT DESIGN AND PRODUCTION : YELLOW CREATIVE (HK) LIMITED www.yellowcreative.com

瑞安房地產
SHUI ON LAND

SHUI ON LAND LIMITED
瑞安房地產有限公司

瑞安集團成員
Member of Shui On Group