瑞安房地產
SHUI ON LAND

EMPHASISING COMPLETION REAPING BENEFITS

加速邁進 彰顯效益

SHUI ON LAND LIMITED
INTERIM REPORT 2010

瑞安房地產有限公司
二零一零年中期業績報告

Stock code 股份代號：272

INNOVATIVE PROPERTY DEVELOPER IN CHINA

A PIONEER IN CUSTOMISATION TO FULFILL CUSTOMERS' NEEDS

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

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

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

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Vincent H. S. LO
Chairman & Chief Executive Officer

CHAIRMAN'S STATEMENT

"Riding on the momentum of our success with Wuhan Tiandi, Chongqing Tiandi has now become one of the city's new landmarks – confirming the Group's ability to execute and implement the concept of our integrated "Live-Work-Play" master-planned communities in markets outside of Shanghai."

THRIVING IN A CHALLENGING ENVIRONMENT

The first half of 2010 continued to present challenges arising from an uneven global economy. With the US market in the doldrums and most European countries facing severe financial problems, governments and businesses have been taking unprecedented measures to try to contain the situation.

Closer to home, China is managing its own concerns in the form of inflation and a possible property and asset bubble. The Chinese Government has acted swiftly to address the issues, introducing new measures in April that caused property transaction volumes to slow down significantly. However, these moves were necessary to return stability to the property market – mitigating the overly rapid escalation of property prices in the past year that would have continued to fuel the property bubble.

Despite uncertainty in the current operating environment, the Group remains confident in the long-term prospects for China's property market. The country's GDP growth still remains amongst the highest in the world, and levels of disposable income continue to rise. Demand for high quality properties in prime locations – especially in China's major urban centres – will continue to grow and flourish.

China's continued economic health is well reflected in the Group's interim results. For the six months ended 30 June 2010, we generated turnover of RMB3,121 million (or HK$3,558 million), representing an increase of 134% compared to the same period in 2009. Profit attributable to shareholders was RMB1,557 million or HK$1,775 million (2009: RMB718 million or HK$811 million). Basic earnings per share were RMB0.31 (or HK$0.35), rising by 94% compared to the first half of 2009.

EMPHASISING COMPLETION, REAPING BENEFITS

The Group is making steady progress with our Three-Year Plan. We have put measures in place to balance value creation with short-term cash generation, and actively pursued our strategy of decentralisation. By streamlining the Group's structure, we have also improved the way we run our business – empowering our project teams with increased operational autonomy, and making them responsible for executing strategic directions set by the head office.

Our emphasis on project completion is already reaping benefits. Riding on the momentum of our success with Wuhan Tiandi, Chongqing Tiandi has now become one of the city's new landmarks – confirming the Group's ability to execute and implement the concept of our integrated "Live-Work-Play" master-planned communities in markets outside of Shanghai.

Attracting warm response from the market, we have sold most of the units at Casa Lakeville in Shanghai, as well as at our project in Wuhan; and sales are continuing at Chongqing Tiandi. In addition, the Group's projects in Foshan and Dalian are all scheduled to launch during the second half of the year; and we anticipate similarly enthusiastic response for these high-end developments.

The Group's strategic partnerships allow us to accelerate the growth of our business beyond our solo potential – creating additional value for investors. To this end, I am very pleased to report that our joint venture project with Redevco in Wuhan is progressing smoothly and steadily according to plan.

> "Despite these challenges, market prices for the Group's high-end developments are holding relatively firm, and we remain optimistic in achieving our full year sales targets."

CONFIDENCE IN THE FUTURE

Government measures aimed at cooling down the property market have caused a downturn in sales, putting the Group behind budget for the first six months of the year. Despite these challenges, market prices for the Group's high-end developments are holding relatively firm, and we remain optimistic in achieving our full year sales targets.

Looking ahead to the second half of the year, tight credit policies will continue to assert margin pressure. However, the Group's portfolio – which focuses on Grade-A properties in prime locations of major urban centres – is maintaining its value in spite of market volatility.

In fact, uncertainty in the real estate market offers the potential for relatively inexpensive land acquisitions; and the Group is seriously exploring opportunities to expand our landbank in the markets where we already have a presence.

APPRECIATION

I would like to congratulate Mr. Freddy C. K. LEE on his appointment as an Executive Director of the Board and a Managing Director of Shui On Land. Freddy's management experience and thorough understanding of our business are great assets to the Group; and I have every confidence he will continue to excel in his responsibilities to implement and execute our current Three-Year Plan.

Finally, I would like to thank our Directors and staff for their hard work and enthusiastic contributions to our business. I also must express our gratitude to our shareholders and business partners for their continued confidence and commitment to the Group. Despite the challenging operating environment, we will continue to grow and develop our business – to build and deliver more value to our shareholders and stakeholders.

Vincent H. S. LO
Chairman and Chief Executive Officer

Hong Kong, 19 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

"Profit attributable to shareholders of the Company for the six months ended 30 June 2010 increased by 117% to RMB1,557 million."

BUSINESS REVIEW

For the six months ended 30 June 2010, the Group's turnover increased by 134% to RMB3,121 million, (2009: RMB1,335 million). Property sales accounted for approximately 89% of turnover, and the remaining 11% was attributed to rental and other related income.

The Group's property sales were RMB2,778 million for the six months ended 30 June 2010 (2009: RMB1,010 million), with a total gross floor area ("GFA") of 135,800 sq.m. delivered. Recognised average selling price ("ASP") increased by 108% to RMB21,200 per sq.m. for the first half of 2010 (2009: RMB10,200 per sq.m.) due to the change in the type of products being delivered and higher ASPs achieved in all projects compared to the corresponding period last year.

Rental and other related income from the investment property portfolio also grew by 7% to RMB326 million for the six months ended 30 June 2010 (2009: RMB305 million) mainly generated from the investment properties completed prior to 2010 of 302,000 sq.m.. In addition, with the completion of a total of 53,000 sq.m. of commercial properties in the first half of 2010, it is expected that more rental income will be contributed to the Group going forward.

Gross profit margin increased by 12 percentage points to 41% for the six months ended 30 June 2010 (2009: 29%).

With the acceleration of construction and increase in fair market value of investment properties, the Group recorded a gain from revaluation of investment properties of RMB1,461 million for the six months ended 30 June 2010. In addition, the Group sold 7,800 sq.m. of investment properties for a net consideration of RMB185 million which brought a gain on disposal of investment properties of RMB23 million for the six months ended 30 June 2010.

Profit attributable to shareholders of the Company for the six months ended 30 June 2010 increased by 117% to RMB1,557 million (2009: RMB718 million).

PROPERTY SALES

RECOGNISED SALES – INCREASED BY 175% TO RMB2,778 MILLION

Revenue from property sales for the six months ended 30 June 2010 increased by 175% to RMB2,778 million (2009: RMB1,010 million).

The table below summarises the recognised sales by projects for the six months ended 30 June 2010 and 2009:

	Six months ended 30 June 2010			Six months ended 30 June 2009			
Project	Sales revenue RMB'million	GFA sold sq.m.	ASP RMB per sq.m.	Sales revenue RMB'million	GFA sold sq.m.	ASP RMB per sq.m.	ASP growth rate
Shanghai Taipingqiao	324	3,900	87,400	–	–	–	–
Shanghai Rui Hong Xin Cheng	821	31,200	27,700	–	–	–	–
Shanghai Knowledge Innovation Community ("KIC")	717	30,700	24,600	261	14,000	19,600	26%
Wuhan Tiandi	759	55,700	14,300	447	32,800	14,300	–
Chongqing Tiandi	112	14,300	10,300[1]	279	55,300	6,600[1]	56%
Subtotal	2,733	135,800	21,200	987	102,100	10,200	108%
Car parks and others	45	–		23	–		
Total	2,778	135,800		1,010	102,100		

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

CONTRACTED SALES – ASP CONTINUES RIDING ON A GROWING TREND

Sales remained promising in the cities where our development projects are located. With more amenities in place and the scarce supply of high-end residential properties in the vicinity of the Group's city core developments, ASP continued to ride on a growing trend. However, as most of the properties on hand were sold during a strong rebound in the property market in 2009, the Group had fewer units available for sale in the first half of 2010. Accordingly, contracted sales for the first six months of 2010 declined by 27% to RMB1,472 million (2009: RMB2,021 million) for a total GFA of 102,100 sq.m. (2009: 122,400 sq.m.). The Group has carried forward RMB1,136 million of contracted sales to be booked in the second half of 2010 and beyond.

The table below summarises the analysis of the contracted sales by projects for the six months ended 30 June 2010 and 2009:

	Six months ended 30 June 2010			Six months ended 30 June 2009			
Project	Contracted sales RMB'million	GFA sold sq.m.	ASP RMB per sq.m.	Contracted sales RMB'million	GFA sold sq.m.	ASP RMB per sq.m.	ASP growth rate
Shanghai Taipingqiao	204	1,900	113,000	1,119	17,800	66,200	71%
Shanghai Rui Hong Xin Cheng	9	300	31,600	–	–	–	–
Shanghai KIC	193	8,200	24,800	131	6,700	20,600	20%
Wuhan Tiandi	485	27,200	18,800	437	36,800	12,500	50%
Chongqing Tiandi	546	64,500	11,100[1]	310	61,100	6,600[1]	68%
Subtotal	1,437	102,100	14,800	1,997	122,400	17,200	
Car parks and others	35	–		24	–		
Total	1,472	102,100		2,021	122,400		
Properties held for sale	1,287	94,300		2,021	122,400		
Investment properties	185	7,800		–	–		
Total	1,472	102,100		2,021	122,400		

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

ASPs increased across the Group's projects as shown in the above table. This growth was driven by the scare supply of luxurious residential properties in city core areas and mixed-use developments. For the Wuhan and Chongqing projects, the increases are also attributed to the increasing maturity and advanced development of the Group's mixed used projects located in these cities. With more facilities and infrastructure in place and faster growth in the economy in these cities, we are expecting gradual increase on gross profit margin as those sites were virtually cleared with land costs fixed in public auctions years ago.

The following sections provide sales performance and price analysis for each project in the first half of 2010.

Shanghai Taipingqiao
A total GFA of 1,900 sq.m. at Casa Lakeville (Phase 3 of luxury residences at Shanghai Taipingqiao) was sold during the first half of 2010, with ASP recorded at RMB113,000 per sq.m.. Larger apartments (from 250 to 450 sq.m.) with Xintiandi and lake views in the higher zone reached RMB155,000 per sq.m..

Shanghai KIC
In the first half of 2010, KIC sold 5,800 sq.m. of office space at RMB20,000 per sq.m and 2,000 sq.m. of retail space in the range of RMB35,000 per sq.m. to RMB45,000 per sq.m.. The net consideration was RMB185 million, which brought a gain on disposal of RMB23 million for the six months ended 30 June 2010. Together with the gain from revaluation that has been recognised in the previous years, the total realised gain was RMB85 million.

Wuhan Tiandi
The launch of the residential apartments of Phase 2 (Lot A6) of The Riverview in January was well received. The ASP rose by 50% to RMB18,800 per sq.m.. Selling price of some high-rise apartments with river views reached RMB30,000 per sq.m.. The selling price of residential apartments in Wuhan Tiandi continues to be one of the highest in the city. Contracted sales of Wuhan Tiandi increased to RMB485 million for the six months ended 30 June 2010, which was 11% higher than the RMB437 million recorded in the first half of 2009.

Chongqing Tiandi
A total GFA of 64,500 sq.m. was sold in the first half of 2010 for RMB546 million, increased by 76% from RMB310 million in the corresponding period in 2009.

The launches of the main road and garden view apartments in Phase 2 were successful. The first batch of Phase 2 (Towers 1 to 5) was launched in late 2009 and early 2010, with ASP rebounding to RMB10,100 per sq.m., a 53% increase compared to the corresponding period in 2009. Riding on strong demand, the second batch of Phase 2 (Towers 6 and 11) was launched in May 2010, with ASP further edging up by 18% to RMB11,900 per sq.m. Subsequent to the end of the reporting period, Phase 2 (Tower 12) was launched for sale on 25 July, with ASP further rising by another 6% to RMB12,600 per sq.m.. 66% of the launched units was subscribed for sale on the first day of launch.

The remaining panoramic river view apartments in Phase 1 of The Riviera were sold at a record ASP of RMB16,100 per sq.m. in the first half of 2010.

The strong ASPs achieved in the above launches were attributed to the soft-opening of restaurants, entertainment facilities and man-made lakes; opening of a main road reconnecting the project to the business area in Jie Fang Bei of Yuzhong District; the commencement of construction works on two prestigious educational facilities; and a series of branding and promotional activities being organised in Chongqing Tiandi.

PROPERTIES AVAILABLE FOR SALE AND PRE-SALE IN THE SECOND HALF OF 2010

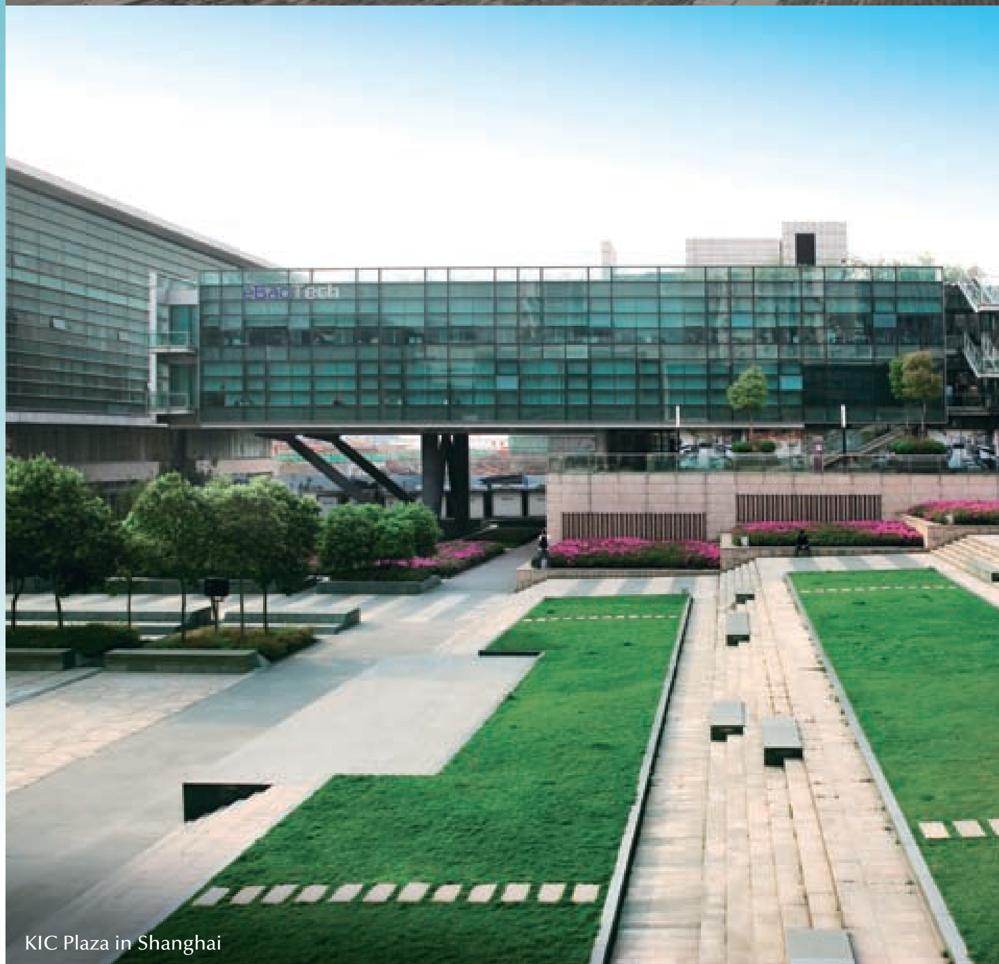
The table below summaries the Group's properties available for sale and pre-sale in the second half of 2010:

Project	Available for sale and pre-sale in the second half of 2010 GFA in sq.m.	Group's interest
Shanghai Taipingqiao	8,800	99.0%
Shanghai Rui Hong Xin Cheng	30,500	74.3%
Wuhan Tiandi	11,400	75.0%
Chongqing Tiandi	121,900	79.4%
Foshan Lingnan Tiandi	55,000	100.0%
Dalian Tiandi	107,000	48.0%
Total	**334,600**	

SHANGHAI

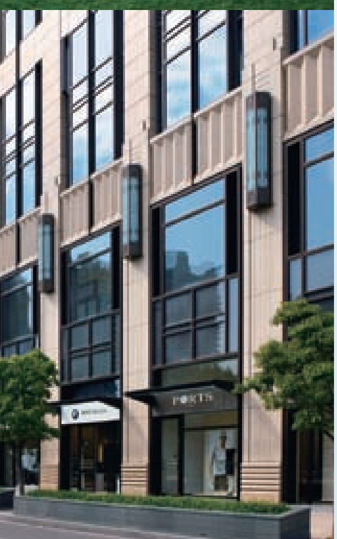
Shanghai is China's leading commercial and financial centre, aspiring to achieve international status as a financial, economic, trading and shipping centre by 2020. The municipal government invested RMB 97.8 billion in the city's infrastructure to build the largest-scale World Expo held in 2010.


Shanghai Xintiandi


KIC Plaza in Shanghai


Lakeville Regency in Shanghai


Corporate Avenue in Shanghai



Shanghai Taipingqiao
"The Manor", Towers 3-8 of Casa Lakeville (Lot 113), comprises of 18 apartments, including duplex and penthouse with garden. The four-storey towers, which are based on a "villa in an apartment" concept, have unit size ranging from 360 to 700 sq.m. and are scheduled to be launched for sale in the second half of the year. Show flats will be available in September. Customers will be given the option to customise and upgrade internal finishing.

Shanghai Rui Hong Xin Cheng
Phase 3 (Lot 4) will be developed into high-rise residential apartments with a GFA of 62,000 sq.m. together with 12,000 sq.m. of retail area. It is currently under construction. There will be a total of 636 units with size from 85 to 140 sq.m.. The first batch is planned to be launched for pre-sale in the fourth quarter of 2010.

Wuhan Tiandi
Phase 3 of The Riverview (Lots A11 and A12) is being marketed as ultra-luxurious residences along the water front of the Yangtze River. There will be a total GFA of 50,000 sq.m. or 152 units of high-rise apartments and 29 units of low-rise apartments with unit size from 160 to 540 sq.m.. The first batch is scheduled to be launched in late 2010.

Chongqing Tiandi
Towers 7, 8, 10 and 12 of The Riviera Phase 2 (Lot B2-1/01) are scheduled for launch in the second half of the year. There will be a total GFA of 66,400 sq.m. or 566 units of high-rise apartments with unit size from 63 to 147 sq.m.. Towers 4 and 5 of The Riviera Phase 3 (Lot B19) are also scheduled to be launched in late 2010. There will be a total of 33,000 sq.m. or 338 units of high-rise apartments with unit size from 66 to 221 sq.m..

Foshan Lingnan Tiandi
Phase 1 of the Regency (Lot 4) and the Legendary (Lot 14) is scheduled for launch in the second half of 2010. 246 units of low-rise residential apartments in Lot 4 with unit size from 110 to 230 sq.m. will be launched in the third quarter of 2010 and the 38 townhouse units in Lot 14 with unit size from 300 to 700 sq.m. will ensue subsequently. The show-flats were opened in August.

Dalian Tiandi
Phase 1 of the Greenville (Lot E06) is scheduled for launch in the third quarter of 2010. It comprises of 600 units of residential apartments and 192 units of various types of villas including detached houses, semi-detached houses and terraced houses. Total GFA available for sale will be 107,000 sq.m.. The sales centre was opened in June.

INVESTMENT PROPERTIES

Property investment remains an important strategy to create value for the Group, providing recurring and growing rental income streams while capturing long term asset appreciation.

Rental and other related income from the investment property portfolio grew by 7% to RMB326 million for the six months ended 30 June 2010 (2009: RMB305 million). As of 30 June 2010, the fair market value of the Group's completed investment properties was RMB9,749 million, 94% of which was from the Shanghai region.

With the acceleration of construction and increase in fair market value of investment properties, the Group has recorded a fair value gain of RMB1,461 million for the six months ended 30 June 2010. Together with the development costs incurred, the carrying value of the entire investment property portfolio increased by 12% to RMB23,676 million as of 30 June 2010.

During the six months ended 30 June 2010, 50,000 sq.m. of office space and 3,000 sq.m. of retail space were completed and added into the investment property portfolio.

As of 30 June 2010, our investment property portfolio increased to 355,000 sq.m. of GFA, of which approximately 49% was for office use, 49% retail and 2% serviced apartment. Geographically, 73% was located in Shanghai with the rest in Hangzhou, Wuhan, Chongqing and Dalian.

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

	Leasable GFA (sq.m.)				Occupancy rate			
Project	Office	Retail	Serviced apartment	Total	30 June 2010	31 December 2009	31 December 2008	Group's interest
Completed before Year 2010								
Shanghai Taipingqiao								
Shanghai Xintiandi	5,000	47,000	5,000	57,000	96%	100%	99%	97.0%
Shanghai Corporate Avenue	76,000	7,000	–	83,000	99%	96%	99%	99.0%
Shanghai Rui Hong Xin Cheng								
Phase 1 Commercial Complex	–	5,000	–	5,000	100%	100%	55%	75.0%
Phase 2 Commercial Complex	–	28,000	–	28,000	99%	100%	99%	74.3%
Shanghai KIC								
Village R1 and R2	15,000	10,000	–	25,000	38%	37%	59%	86.8%[1]
KIC Plaza Phase 1	29,000	21,000	–	50,000	86%	83%	82%	86.8%[1]
Hangzhou Xihu Tiandi								
Phase 1	–	6,000	–	6,000	100%	100%	100%	100.0%
Wuhan Tiandi, Commercial								
Lot A4-1	–	16,000	–	16,000	94%	92%	89%	75.0%
Lots A4-2 and A4-3	–	30,000	–	30,000	75%	60%	N/A	75.0%
Chongqing Tiandi, The Riviera								
Phase 1 (Lot B1-1/01)	–	2,000	–	2,000	100%	16%	N/A	79.4%
	125,000	**172,000**	**5,000**	**302,000**				
Completed in the first half of 2010								
Shanghai Rui Hong Xin Cheng								
Phase 3 Lot 8 Commercial	–	2,000	–	2,000				74.3%
Shanghai KIC								
KIC Village R2 (Lot 7-7)	8,000	1,000	–	9,000				86.8%[1]
Dalian Tiandi								
Phase 1 of Software Offices (Lot D22)	42,000	–	–	42,000				48%
	50,000	**3,000**	**–**	**53,000**				
Total leasable GFA								
As of 30 June 2010	**175,000**	**175,000**	**5,000**	**355,000**				
As of 31 December 2009	131,000	174,000	5,000	310,000				

1 An agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.

LEASING PERFORMANCE

As of 30 June 2010, Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng and Hangzhou Xihu Tiandi continue to enjoy virtually full occupancy. Occupancy rate of Shanghai KIC, however, was diluted due to the completion of KIC Village R2. Occupancy rates of Phase 1 of Wuhan Tiandi reached 94% while Phase 2 and Phase 3 improved to 75%. Various key tenants of the software offices (Lot D22) in Dalian Tiandi signed tenancy agreements in July 2010 while IBM has already moved in.

A total GFA of 133,000 sq.m. of investment properties is scheduled to be delivered in the second half of 2010. The Group's investment property portfolio is expected to reach 488,000 sq.m. by 31 December 2010. The delivery plan is as follows:

	Leasable GFA (sq.m.)			
Project	Office	Retail	Serviced apartment	Total
Leasable GFA as of 30 June 2010	**175,000**	**175,000**	**5,000**	**355,000**
Delivery plan in the second half of 2010				
Shanghai Taipingqiao				
Xintiandi Style (Lot113)	–	29,000	–	29,000
Shanghai KIC				
KIC Plaza Phase 2	43,000	7,000	–	50,000
Chongqing Tiandi				
Chongqing Tiandi (Lot B3/01) Commercial	–	52,000	–	52,000
The Riviera Phase 2 (Lot B2-1/01) Street front shops	–	2,000	–	2,000
Total	43,000	90,000	–	133,000
Expected total leasable GFA as of 31 December 2010	**218,000**	**265,000**	**5,000**	**488,000**

The following shows the pre-leasing status of the investment properties to be completed in the second half of 2010:

The new shopping mall (Lot 113), Xintiandi Style, is an extension of Shanghai Xintiandi and is connected to Metro Lines No.10 and 13. It has offered or signed up tenants for over 70% of the leasable area, including renowned international brands, as well as young and local designer brands.

Pre-leasing for the KIC Plaza Phase 2 has commenced in the first half of 2010.

A soft opening event was held for Phase 1 of the commercial portion of Chongqing Tiandi (Lot B3/01) on 31 January 2010. The Higher Village and Lower Village were substantially pre-leased, while Cliff Building was 70% pre-leased as of 30 June 2010. Pre-leasing for the Main Building commenced in June.

STRATEGY TO EXPEDITE ASSET TURNOVER OF COMMERCIAL PROPERTY

The Group plans to expedite asset turnover of commercial property by increasing saleable area. During the first half of 2010, the Group completed the following two initiatives:

KIC Village and Plaza Phase 1

An office block at KIC Village with small unit sizes per each floor plate was sold at RMB20,000 per sq.m. and a small portion of the retail area in KIC Village and KIC Plaza Phase 1 was sold at ASPs ranging from RMB35,000 to RMB45,000 per sq.m. for a net consideration of RMB185 million.

Wuhan Tiandi Lot A6 Retail Shops

Street front shops in Phase 2 (Lot A6) of The Riverview at Wuhan Tiandi were pre-sold at prices ranging from RMB47,000 to RMB69,000 per sq.m. in May 2010.

STRATEGIC PARTNERSHIP

Strategic partnership continues to be one of the pillars of the Group's long-term business strategies in creating synergies for project developments. The Group will continue to look for appropriate strategic partners to co-develop projects at project level and/or for a particular parcel of land. This strategy allows the Group to accelerate returns from its projects, diversify its risks and enhance its cash flow. It brings synergies to the Group by tapping the expertise and know-how of prospective partners.

PROPERTY DEVELOPMENT – ACCELERATING DEVELOPMENT

To accomplish the three-year plan ("Three-Year Plan") initiated in 2009, the Group is expediting construction works for all projects. The following table shows the properties delivered or handed over in the first half of 2010 together with the plan for the properties that will be ready for delivery or handover in the second half of 2010, and the forthcoming 2011 and 2012:

Project	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Subtotal sq.m.	Carpark and others sq.m.	Total sq.m.	Group's interest
Properties delivered/handed over in first half of 2010								
Shanghai Taipingqiao	7,000	–	–	–	7,000	2,000	9,000	99.0%
Shanghai Rui Hong Xin Cheng	32,000	–	2,000	–	34,000	11,000	45,000	74.3%
Shanghai KIC	22,000	8,000	1,000	–	31,000	22,000	53,000	86.8%[1]
Wuhan Tiandi	55,000	–	–	–	55,000	31,000	86,000	75.0%
Dalian Tiandi	–	42,000	–	–	42,000	14,000	56,000	48.0%
Total	**116,000**	**50,000**	**3,000**	**–**	**169,000**	**80,000**	**249,000**	
Ready for delivery/handover in the second half of 2010								
Shanghai Taipingqiao	–	–	29,000	–	29,000	34,000	63,000	99.0%
Shanghai KIC	–	43,000	7,000	–	50,000	31,000	81,000	86.8%[1]
Wuhan Tiandi	30,000	–	2,000	–	32,000	16,000	48,000	75.0%
Chongqing Tiandi	47,000	–	54,000	–	101,000	47,000	148,000	79.4%
Total	**77,000**	**43,000**	**92,000**	**–**	**212,000**	**128,000**	**340,000**	
Ready for delivery/handover in 2011								
Shanghai Rui Hong Xin Cheng	15,000	–	–	–	15,000	–	15,000	74.3%
Shanghai KIC	–	41,000	12,000	–	53,000	28,000	81,000	86.8%[1]
Chongqing Tiandi	164,000	–	5,000	–	169,000	45,000	214,000	79.4%
Foshan Lingnan Tiandi	54,000	–	38,000	37,000	129,000	56,000	185,000	100.0%
Dalian Tiandi	40,000	163,000	37,000	–	240,000	52,000	292,000	48.0%
Total	**273,000**	**204,000**	**92,000**	**37,000**	**606,000**	**181,000**	**787,000**	
Ready for delivery/handover in 2012								
Shanghai Rui Hong Xin Cheng	47,000	–	12,000	–	59,000	33,000	92,000	74.3%
Wuhan Tiandi	176,000	57,000	61,000	–	294,000	22,000	316,000	75.0%
Chongqing Tiandi	198,000	200,000	44,000	–	442,000	141,000	583,000	79.4%[2]
Foshan Lingnan Tiandi	82,000	–	110,000	9,000	201,000	68,000	269,000	100.0%
Dalian Tiandi	107,000	–	–	40,000	147,000	52,000	199,000	48.0%
Total	**610,000**	**257,000**	**227,000**	**49,000**	**1,143,000**	**316,000**	**1,459,000**	

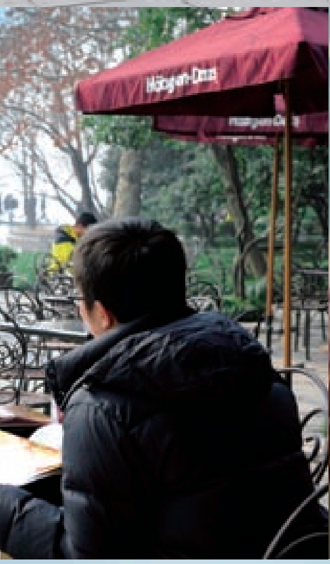
1 An agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.

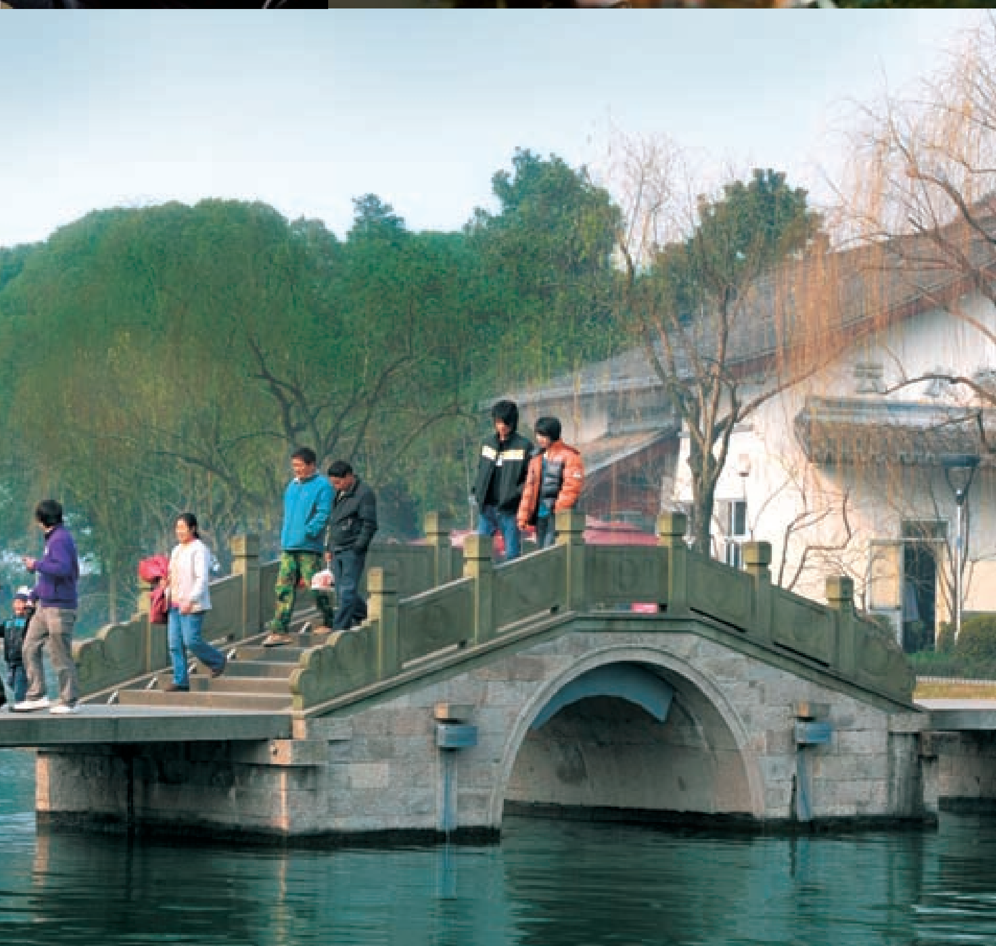
2 The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 in which the Group has a 59.5% effective interest. Lot B11-1/02 will be developed into super high rise office towers.

Residents practise Tai Chi at Xihu Tiandi

Xihu Tiandi creates the "East-Meets-West" ambience

The scenic West Lake is an international tourist hot spot



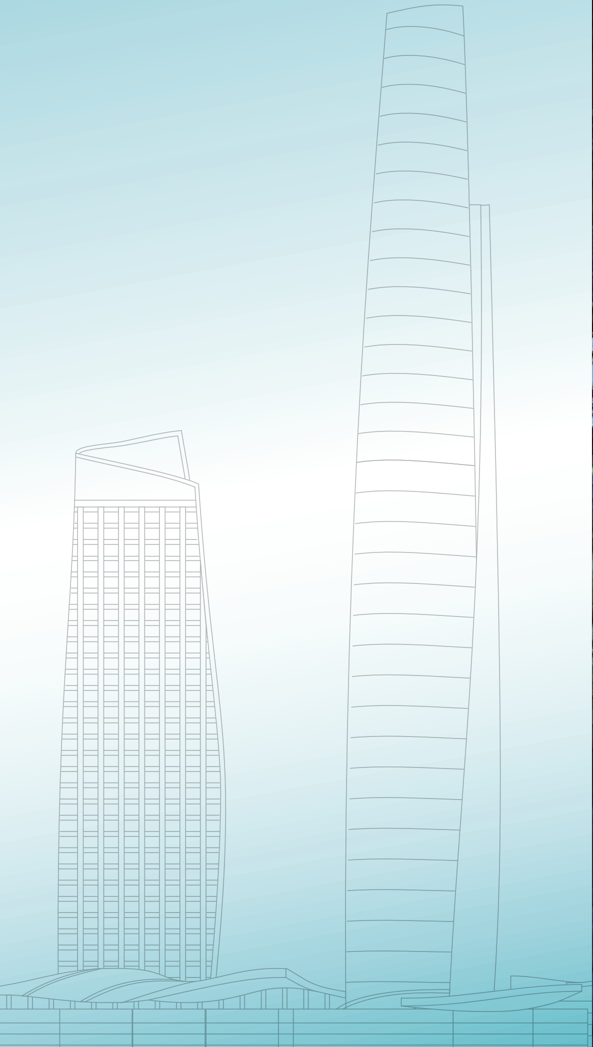


HANGZHOU

Hangzhou, known as "Paradise on Earth" in ancient China, is one of the country's major tourist destinations. Located about 180 km from Shanghai, Hangzhou is the provincial capital of Zhejiang – and is known for its natural beauty, rich history and cultural heritage.

CHONGQING

Located in Sichuan Province, Chongqing is the largest of China's four direct-controlled municipalities, and one of the most important industrial areas in Western China – rich in steel, iron, aluminium, coal and other natural resources.



Residential project The Riviera at Chongqing Tiandi

Show flat of The Riviera II

International Trade & Commerce Centre at Chongqing Tiandi

Commercial properties at Chongqing Tiandi



Shanghai Taipingqiao
Towers 3 to 8 of Casa Lakeville were completed in June 2010 and are scheduled to be launched in the third quarter of this year.

Xintiandi Style is expected to be handed over to tenants in the second half of 2010.

Relocation of Corporate Avenue Phase 2 (Lots 126 and 127) is progressing well with approximately 98% and 90% of households being relocated respectively as of 30 June 2010. Corporate Avenue Phase 2 is located adjacent to Corporate Avenue Phase 1 on Hubin Road facing the lake of Taipingqiao, and will be developed into twin-tower grade A office buildings with retail podium targeting upmarket retailers. There will be 105,000 sq.m. of office space, 52,000 sq.m. of retail space, 81,000 sq.m. of underground car parks and other facilities. The commercial complex will have connections to Corporate Avenue Phase 1, Xintiandi and the two five-star hotels nearby. Construction works of Lot 126 are expected to commence in late 2010 after the World Expo.

Phase 4 (Lot 116) of residential development of Taipingqiao will apply the new relocation scheme introduced by the Shanghai Municipal Government in late 2009 ("New Relocation Scheme"). The first round of consultation regarding the relocation of the site is to commence in the fourth quarter of 2010 after the World Expo. The GFA for this residential site is 90,000 sq.m.. The Company has a 50% interest in the site.

Shanghai Rui Hong Xin Cheng
Most of the residential units at Rui Hong Xin Cheng Phase 3 (Lot 8) pre-sold in 2009 were delivered in the first half of 2010.

Phase 3 (Lot 4) will be developed into two residential towers with a total GFA of 62,000 sq.m. together with 12,000 sq.m of retail area underlying it. It is planned to be delivered to customers in 2011 and 2012.

Phase 3 (Lot 6) is under the old relocation scheme and is now entering the final stages of relocation and demolition works. 97% of the households in Lot 6 have signed the relocation agreements as of 30 June 2010. The planned GFA for residential use is 126,000 sq.m. and construction works are planned to begin in the third quarter of 2010.

Lot 3, the first site adopting the New Relocation Scheme in Shanghai Rui Hong Xin Cheng, successfully completed the second round of consultation on 15 April 2010, with over 77% of households signing the relocation agreements. Demolition works will commence after the World Expo.

With the successful experience in relocating Lot 3, the local government will continue to apply the New Relocation Scheme on the remaining lots.

Shanghai KIC
Construction works of KIC Village R2 (Lot 7-7) were completed and delivered to customers in the first half of 2010.

Construction works of KIC Plaza Phase 2 are still underway, scheduled for completion in the second half of the year. The Group has commenced construction of office towers with a retail podium on Lot C2 in 2009. The development has a planned GFA of 53,000 sq.m. and is scheduled to be completed in 2011.

Hangzhou Xihu Tiandi
Phase 2 of Xihu Tiandi's relocation is in progress with 89% of households relocated as of 30 June 2010.

Wuhan Tiandi

Apartments in Phase 2 of The Riverview (Lots A8 and A10) pre-sold in 2009 were delivered to customers in the first half of 30 June 2010. Phase 2 (Lot A6) of The Riverview was launched for pre-sale in January 2010 and is scheduled for delivery in the second half of 2010.

Construction works at Lots A5, A11 and A12 are in progress. Lot A5 has a total GFA of 59,000 sq.m. to be developed into a grade A office tower with a retail shopping complex. Construction works are estimated to be completed in 2012. Lots A11 and A12 with a total GFA of 50,000 sq.m. will be developed into luxury residential apartments and are expected to be completed in 2012.

The shopping mall (retail podium of Lots A1, A2 and A3 with a total GFA of 109,000 sq.m.) is expected to commence construction in the fourth quarter of 2010. Construction works at A2 and A3 are planned for completion in late 2012.

Site clearance and formation of Site B are expected to be completed in the third quarter of 2010. Construction works of two residential lots (Lots B9 and B11), Phase 4 of The Riverview, together with the park and the Central Club House (Lots B20 and B21) are expected to start soon. The two residential lots have a total GFA of 126,000 sq.m., and are scheduled for delivery by the end of 2012.

Chongqing Tiandi

Already underway at The Riviera Phase 2, construction works commenced at The Riviera Phase 3 during the first quarter of 2010.

Construction works of Chongqing Tiandi's commercial portion have largely been completed. A soft opening was held in January with the grand opening to be held in the second half of the year. Public facilities, such as the Grand Theatre and man-made lakes were opened to public in May and June respectively, providing a new recreational area to residents in Chongqing.

Construction works for Phase 1 of grade A office with GFA of 115,000 sq.m. commenced in late 2009 and are planned to be completed in 2012.

Foshan Lingnan Tiandi

Construction works of Foshan Lingnan Tiandi's commercial portion (Lot 1) began in 2008. A portion of it is scheduled for soft opening before the 2010 Asia Games.

A mixed-use complex with hotel, serviced apartments and retail podium (Lot D) is under construction and scheduled to be completed in 2011. The Group has appointed Marco Polo Hotels to be the operator of the hotel and serviced apartments.

Construction works of low-rise apartments and townhouses in Lot 4 and Lot 14 are underway and scheduled for delivery in 2011.

Dalian Tiandi

A total GFA of 42,000 sq.m., Phase 1 of software offices (Lot D22) was completed in the first half of 2010.

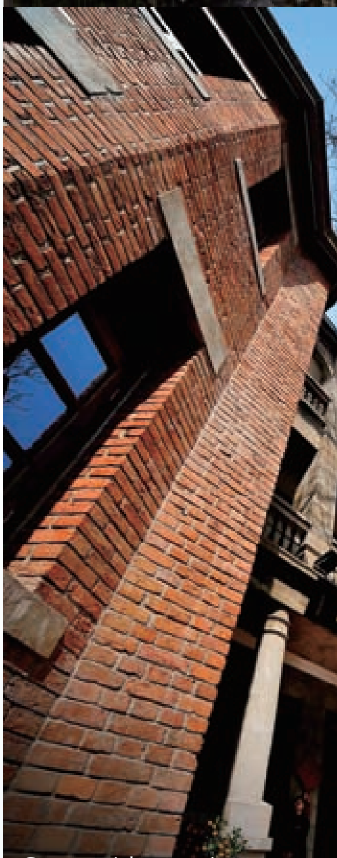
Construction works of Phase 1 of the Greenville (Lot E06) are underway. The development will be available for pre-sale in the second half of 2010 and is scheduled for delivery in 2012.

Other parts of the project, including IT Tiandi, Phase 2 of software offices, engineer apartments together with training centres are under construction and are expected for delivery progressively in the coming three years.

LANDBANK

As of 30 June 2010, the Group's landbank was 12.9 million sq.m. (of which 9.5 million sq.m. are attributable to shareholders of the Company) spread across eight projects located in core areas of six cities – namely Shanghai, Hangzhou, Chongqing, Wuhan, Foshan and Dalian.

Wuhan Tiandi



Commercial properties at Wuhan Tiandi

WUHAN

Wuhan is the capital city of Hubei Province. Located at the junction of the Yangtze and Han Rivers, Wuhan has developed into a major commercial and manufacturing centre in Central China.

Show flat of
The Riverview

Residential project
The Riverview at Wuhan Tiandi

Of the total 12.9 million sq.m. GFA of landbank, 40% is for residential use, 16% for retail, 28% for office, and 4% for hotel, serviced apartment and club house, and 12% for car park and other facilities. In terms of geographic location of the landbank, 23% is in Shanghai, 10% in Wuhan, 27% in Chongqing, 13% in Foshan, 26% in Dalian and 1% in Hangzhou.

As of 30 June 2010, the Group held a total of 625,000 sq.m. of completed properties, which included investment properties, properties held for sales, properties pre-sold but have not been delivered, club houses, car parks and other facilities. The Group had a total GFA of 3.9 million sq.m. of properties under development.

In March 2010, the Group successfully bid for a parcel of land adjacent to Shanghai KIC with a total GFA of 159,000 sq.m. for a consideration of RMB1,264 million. This parcel of land has been included as part of the master plan for the entire development of Shanghai KIC.

In June 2010, the Group has completed the acquisition of a special purpose company that holds the development rights to two lots of land (Lots 167A and 167B) with an aggregate GFA of 176,000 sq.m. for a total consideration of RMB109 million. The two sites are located adjacent to the existing Shanghai Rui Hong Xin Cheng and are subject to relocation.

The Group's total landbank as of 30 June 2010, including that of its associates, is summarised below:

	Approximate/Estimated leasable and saleable GFA							
Project	Office (sq.m.)	Retail (sq.m.)	Residential (sq.m.)	Hotel/ serviced apartment/ clubhouse (sq.m.)	Carpark and other facilities (sq.m.)	Total GFA (sq.m.)	Group's interest	Attributable GFA (sq.m.)
Completed properties:								
Shanghai Taipingqiao	81,000	54,000	10,000	18,000	54,000	217,000	99.0%[1]	214,000
Shanghai Rui Hong Xin Cheng	–	35,000	–	9,000	36,000	80,000	74.3%[2]	60,000
Shanghai KIC	54,000	32,000	1,000	4,000	67,000	158,000	86.8%[3]	137,000
Hangzhou Xihu Tiandi	–	6,000	–	–	–	6,000	100.0%	6,000
Wuhan Tiandi	–	46,000	1,000	–	25,000	72,000	75.0%	54,000
Chongqing Tiandi	–	2,000	14,000	3,000	17,000	36,000	79.4%	29,000
Dalian Tiandi	42,000	–	–	-	14,000	56,000	48.0%	27,000
Subtotal	**177,000**	**175,000**	**26,000**	**34,000**	**213,000**	**625,000**		**527,000**
Properties under development:								
Shanghai Taipingqiao	105,000	81,000	–	–	115,000	301,000	99.0%	298,000
Shanghai Rui Hong Xin Cheng	–	12,000	188,000	6,000	32,000	238,000	74.3%	177,000
Shanghai KIC	84,000	19,000	–	–	59,000	162,000	86.8%[3]	141,000
Hangzhou Xihu Tiandi	–	42,000	–	–	27,000	69,000	100.0%	69,000
Wuhan Tiandi	310,000	104,000	206,000	63,000	39,000	722,000	75.0%	542,000
Chongqing Tiandi	400,000	193,000	409,000	105,000	339,000	1,446,000	79.4%[4]	1,011,000
Foshan Lingnan Tiandi	–	148,000	136,000	50,000	120,000	454,000	100.0%	454,000
Dalian Tiandi	163,000	37,000	147,000	49,000	95,000	491,000	48.0%	236,000
Subtotal	**1,062,000**	**636,000**	**1,086,000**	**273,000**	**826,000**	**3,883,000**		**2,928,000**
Properties held for future development:								
Shanghai Taipingqiao	174,000	118,000	256,000	38,000	44,000	630,000	99.0%[1]	580,000
Shanghai Rui Hong Xin Cheng	158,000	116,000	709,000	–	13,000	996,000	74.3%[2]	740,000
Shanghai KIC	93,000	–	48,000	18,000	–	159,000	99.0%	157,000
Wuhan Tiandi	35,000	92,000	426,000	–	36,000	589,000	75.0%	442,000
Chongqing Tiandi	329,000	234,000	959,000	78,000	378,000	1,978,000	79.4%[4]	1,571,000
Foshan Lingnan Tiandi	450,000	137,000	545,000	80,000	38,000	1,250,000	100.0%	1,250,000
Dalian Tiandi[5]	1,127,000	568,000	1,036,000	42,000	–	2,773,000	48.0%	1,331,000
Subtotal	**2,366,000**	**1,265,000**	**3,979,000**	**256,000**	**509,000**	**8,375,000**		**6,071,000**
Total landbank GFA	**3,605,000**	**2,076,000**	**5,091,000**	**563,000**	**1,548,000**	**12,883,000**		**9,526,000**

1 The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi and Lot 116, in which the Group has 97.0% and 50.0% effective interest respectively.
2 The Group has a 74.3% interest in Shanghai Rui Hong Xin Cheng, except for Phase I, Lots 167A and 167B in which the Group has 75.0% interest.
3 An agreement was concluded to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection.
4 The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 in which the Group has a 59.5% effective interest. Lot B11-1/02 will be developed into high-rise office towers.
5 Dalian Tiandi has a landbank of 3.3 million sq.m. in GFA. As of 30 June 2010, approximately 3.0 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course.

MARKET OUTLOOK

2010 is unfolding to be a challenging year for residential sales as the government proceeds to implement policies to curtail investment demand, raising the threshold towards purchases of second and third homes by imposing more restrictive mortgage financing schemes and higher down payment requirements. Since the implementation of a series of tightening policy measures, the national housing price index fell 0.1% in June from the previous month, reversing an uptrend marked by 15 consecutive months of rising prices. On the macroeconomic front, the pace of GDP growth decelerated from the first quarter's 11.9% to 10.3% in the second quarter as the central bank began to limit the growth of new credit in the economy. The moderation of economic growth momentum helped to keep consumer price inflation at around 3%, which has significantly reduced the risk of economic overheating.

The tightening measures have also resulted in a cooling of land prices in the second quarter, which helped to reverse the previous market psychology of ever increasing house prices. It is difficult at this stage to predict sales levels for the second half of 2010, but discount pricing is expected to become more prevalent with a projected rising supply of residential properties coming into the market in the second half of 2010. Against this backdrop, the much-discussed trial run of property holding tax may be postponed. It is unclear whether the government will introduce additional tightening measures as the residential market enters a phase of adjustment towards price levels that are consistent with healthy, sustainable growth.

Although government policies have dampened buyers' enthusiasm, a number of high quality projects have continued to enjoy rapid sales by offering price discounts. While price cuts are expected to become more common in the second half, we believe that high quality projects in well-designed, master-planned communities will still outperform the market and command a premium. As the market undergoes a correction, developers with portfolios diversified across city tiers, regions and property types will be better placed. With demographic and urbanisation trends remaining intact, it is believed that economic growth and rising income should underpin end-user demand. This should help the market to stabilise and pave the way for an up-cycle in 2011.

After running a pegged exchange rate system for nearly two years, China has returned to a limited-floating flexible RMB-US dollar exchange rate mechanism on 19 June. In order to limit the scale of hot money entering China, the central bank intends to allow the RMB to fluctuate in both directions. This move however, is likely to influence only short-term speculators. Longer-term investors should still see the promise of RMB appreciation, and China's premium grade real estate properties will continue to be seen as an attractive asset class. We believe that China's economy will continue to be strong going forward, and remain optimistic about the prospects for China's property market.

In the first half of 2010, all of the cities in which we have invested achieved strong GDP growth rates above the national average: Shanghai achieved 12.7%, Chongqing 17%, Dalian 16.6%, Foshan 13.8% and Wuhan 15.5%. The tempo of Shanghai's economic growth has remained strong, buoyed in part by the city's hosting of World Expo 2010. The Central Government has recently given approval to a new Yangtze River Delta strategic development plan and announced a renewed emphasis to support the "Go West" policy, which should further strengthen Shanghai's and Chongqing's roles as regional economic hubs.

In Wuhan, the Central Government has named the East Lake Development Zone as China's second National Innovation Model Zone after Beijing's Zhongguancun Science and Technology Park. This will greatly improve Wuhan's capability to attract and retain talent, enhancing the prospects to upgrade its scientific and technological sectors. Foshan's economic growth has accelerated, due in part to the city's further economic integration with Guangzhou, as well as a metropolitan industrial strategy focusing on higher value technology sectors. The city is also embarking on a program to enhance its living environment, which should benefit the real estate sector. Dalian continues to be a lead performer in China's software and information service industries. The city's export growth in the information technology outsourcing sector reached 33.4% in 2009, further rising to 33.7% during the first four months of this year.

We will continue to leverage on our excellent land bank and our expertise in building master-planned communities on the Chinese Mainland. Our portfolio of properties will continue to grow in value as they advance through the stages of development and maturity. We plan to further expand our business model from comprehensive city-core integrated projects to include knowledge communities in other Chinese Mainland cities identified to have high potential for innovation and technological growth, and will continue to expedite the development process to strengthen our market presence.

DALIAN

Located on the southern tip of Eastern Liaoning Peninsula, Dalian serves as a gateway to Beijing, Tianjin and the Bohai-Bay Economic Rim. Due to its strategic geographic location, the city is a major transportation centre for Northeast Asia.

IT Tiandi, retail complex at Huang Ni Chuan Plate of Dalian Tiandi

Ambow (Dalian) Software and Service Outsourcing Talents Training Base

IT Tiandi



FINANCIAL REVIEW

Turnover increased by 134% to RMB3,121 million (2009: RMB1,335 million), primarily due to the increase in property sales recognised in 2010.

Property sales rose by 175% to RMB2,778 million (2009: RMB1,010 million). Details of property sales during the six months ended 30 June 2010 are contained in the paragraph titled "Property Sales" in the Business Review Section above.

Rental and other related income increased by 7% to RMB326 million (2009: RMB305 million), mainly generated from the investment properties completed prior to 2010 of 302,000 sq.m..

Gross profit for 2010 rose to RMB1,272 million (2009: RMB390 million) with a gross profit margin of 41% (2009: 29%).

Other income for the six months ended 30 June 2010 of RMB87 million (2009: RMB107 million) mainly represented interest income from banks, associates and third parties of RMB69 million (2009: RMB107 million).

Selling and marketing expenses increased by 54% to RMB60 million (2009: RMB39 million), mainly due to the increase in property sales.

General and administrative expenses slightly increased by 5% to RMB275 million (2009: RMB261 million).

Operating profit increased by 420% to RMB1,024 million (2009: RMB197 million), a composite effect of the various factors mentioned above.

Increase in fair value of investment properties was RMB1,461 million (2009: RMB199 million), of which RMB384 million (2009: RMB23 million) arose from revaluation of completed investment properties and RMB1,077 million (2009: RMB176 million) from the revaluation of investment properties under development or construction.

Gain on disposal of investment properties of RMB23 million for the six months ended 30 June 2010 represented the disposal of office and retail spaces at a consideration of RMB185 million (2009: nil).

Share of results of associates was RMB68 million (2009: RMB398 million), which included a revaluation gain of the investment properties under development or construction (net of related taxes) amounted to RMB71 million (2009: RMB408 million).

Finance costs, net of exchange gain reduced to RMB36 million (2009: RMB60 million), mainly due to the exchange gain on bank borrowings for the period of RMB48 million (2009: RMB12 million). With new bank loans of RMB2,849 million drawn down in the first half of 2010, interest expenses increased to RMB382 million (2009: RMB330 million). Borrowing costs capitalised increased correspondingly to RMB356 million (2009: RMB311 million).

Profit before taxation increased to RMB2,540 million (2009: RMB734 million) as a result of various factors described above.

Taxation for the six months ended 30 June 2010 was RMB832 million (2009: RMB78 million). Excluding the Land Appreciation Tax of RMB200 million (which was assessed based on the appreciation value of properties disposed), together with its enterprise income tax effect of RMB50 million, the effective tax rate for the six months ended 30 June 2010 was 26.9%, approximating 25% of the PRC enterprise income tax rate.

Profit attributable to shareholders of the Company for the six months ended 30 June 2010 increased by 117% to RMB1,557 million (2009: RMB718 million).

The effects on profit attributable to shareholders due to the change in fair value of the Group's investment properties, net of related tax effect, are as follows:

	Six months ended 30 June		
	2010 RMB'million (Unaudited)	2009 RMB'million (Unaudited)	% change
Profit attributable to shareholders of the Company	**1,557**	718	+117%
Revaluation increase on investment properties of the Group (net of deferred tax effect and share of non-controlling interests)	**(1,030)**	(215)	
Share of revaluation increase on investment properties of the associates (net of tax effect)	**(71)**	(408)	
Profit attributable to shareholders of the Company before revaluation of investment properties	**456**	95	+380%

Earnings per share were RMB0.31 calculated based on a weighted average of approximately 5,023 million shares in issue during the six months ended 30 June 2010 (2009: RMB0.16 calculated based on a weighted average of approximately 4,620 million shares in issue).

CAPITAL STRUCTURE, GEARING RATIO AND FUNDING

As of 30 June 2010, the Group's utilised bank borrowings amounted to RMB12,473 million (31 December 2009: RMB10,203 million). The structure of the Group's bank borrowings as of 30 June 2010 is summarised below:

Currency denomination	Total (in RMB equivalent)	Due within one year	Due in more than one year but not exceeding two years	Due in more than two years but not exceeding five years	Due in more than five years
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
RMB	4,273	534	1,560	1,539	640
HK$	7,962	702	1,704	5,556	–
US$	238	238	–	–	–
Total	**12,473**	**1,474**	**3,264**	**7,095**	**640**

Total cash and bank deposits amounted to RMB4.9 billion as of 30 June 2010 (31 December 2009: RMB4.9 billion), which included RMB2.0 billion (31 December 2009: RMB2.0 billion) of deposits pledged for banking facilities.

As of 30 June 2010, the Group's net debt balance was RMB7.5 billion (31 December 2009: RMB5.3 billion) and its total equity was RMB23.8 billion (31 December 2009: RMB22.6 billion). The Group's net gearing ratio was 32% as of 30 June 2010 (31 December 2009: 23%), calculated on the basis of the excess of the sum of bank loans net of bank balances and cash over the total equity.

Total undrawn banking facilities available to the Group were approximately RMB4.1 billion as of 30 June 2010 (31 December 2009: RMB0.9 billion).

PLEDGED ASSETS

As of 30 June 2010, the Group had pledged certain completed properties, properties under development, accounts receivable and bank deposits totalling RMB21.5 billion (31 December 2009: RMB20.9 billion) to secure our borrowings of RMB9.6 billion (31 December 2009: RMB9.2 billion).


Clubhouse at The Legendary


Foshan Lingnan Tiandi


Residential project The Regency at Foshan Lingnan Tiandi

FOSHAN

Strategically located just 28km southwest of Guangzhou in the heart of the Pearl River Delta Economic Zone, Foshan is the third largest economy in the Pearl River Delta. With its strong manufacturing base, Foshan enjoys a vibrant economy, along with a rich historical and cultural heritage.

Residential project
The Legendary at
Foshan Lingnan Tiandi

CAPITAL AND OTHER DEVELOPMENT RELATED COMMITMENTS

As of 30 June 2010, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB14,485 million (31 December 2009: RMB14,418 million). The amount of commitment included the estimated costs of relocation for the development of certain educational facilities to be located in the Taipingqiao area of Luwan District in Shanghai as compensation for the removal of those educational facilities originally located in that area, together with the remaining outstanding cost of acquisition of land use rights in Foshan.

The Group has agreed to provide further funding to the associates for the development of Dalian Tiandi project, whereby the Group will ultimately hold a 48% effective interest. As of 30 June 2010, the Group has issued guarantees amounting to RMB528 million (31 December 2009: RMB528 million) to banks in respect of banking facilities granted to the associates, from which the associates have drawn down bank loans amounting to RMB480 million (31 December 2009: RMB480 million). In addition, the Group has a commitment to provide further funding to the associates amounting to approximately RMB121 million (31 December 2009: RMB121 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND SOURCES OF FUNDING

In March 2010, the Group successfully bid for a parcel of land in the Shanghai KIC project with developable GFA of 159,000 sq.m. for a consideration of RMB1,264 million. In June 2010, the Group has completed the transaction to acquire a special purpose company that holds the development rights of two lots of land adjacent to the existing Shanghai Rui Hong Xin Cheng project with GFA of 176,000 sq.m. for a consideration of RMB109 million. The total development costs of these two investments will be funded by bank financing and internal resources.

We shall continue to focus on the development of our existing landbank in prime locations. While our primary focus is on city-core development projects and integrated residential development projects, we shall, at appropriate times, consider other opportunities to participate in projects of various scales where we can leverage our competitive strengths. We may also pursue other plans, including other ways 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.

CASH FLOW MANAGEMENT AND LIQUIDITY RISK

The management of cash flow in the Group is the responsibility of the Group's treasury function at the corporate level.

Our objective is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings and other borrowings, where appropriate. We are comfortable with our present financial and liquidity position, and will continue to maintain a reasonable liquidity buffer to ensure sufficient funds are available to meet liquidity requirements at all times.

EXCHANGE RATE AND INTEREST RATE RISKS

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

Considering that a relatively stable currency regime with regard to the Renminbi is maintained by the Central Government, which only allows the exchange rate to fluctuate within a narrow range going forward, the Group expects that the fluctuation of the exchange rates between Renminbi and Hong Kong dollars and US dollars may not be significant in the short to medium term.

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

At 30 June 2010, the Group had three outstanding interest rate swaps in which the Group would receive interest at variable rates at the Hong Kong Inter-bank Offered Rate and pay interest at fixed rates ranging from 1.32% to 3.58%, based on the notional amounts of HK$5,081 million in aggregate.

Save as disclosed above, the Group did not hold any other derivative financial instruments as of 30 June 2010. The Group continues to closely monitor its exposure to interest rate and exchange rate risks, and may employ derivative financial instruments to hedge against the risks exposed when necessary.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SHUI ON LAND LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 26 to 46, which comprises the condensed consolidated statement of financial position of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and selected explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
19 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		RMB'million	RMB'million
	Notes	**(Unaudited)**	(Unaudited)
Turnover	3	**3,121**	1,335
Cost of sales		**(1,849)**	(945)
Gross profit		**1,272**	390
Other income		**87**	107
Selling and marketing expenses		**(60)**	(39)
General and administrative expenses		**(275)**	(261)
Operating profit	4	**1,024**	197
Increase in fair value of investment properties	9	**1,461**	199
Gain on disposal of investment properties		**23**	–
Share of results of associates		**68**	398
Finance costs, net of exchange gain	5	**(36)**	(60)
Profit before taxation		**2,540**	734
Taxation	6	**(832)**	(78)
Profit for the period		**1,708**	656
Attributable to:			
Shareholders of the Company		**1,557**	718
Non-controlling interests		**151**	(62)
		1,708	656
Earnings per share	8		
– Basic		**RMB0.31**	RMB0.16
– Diluted		**RMB0.31**	RMB0.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 RMB'million (Unaudited)	2009 RMB'million (Unaudited)
Profit for the period		**1,708**	656
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**1**	(10)
Fair value adjustments on interest rate swaps designated in cash flow hedges	12	**(39)**	60
Other comprehensive (expense) income for the period		**(38)**	50
Total comprehensive income for the period		**1,670**	706
Total comprehensive income (expense) attributable to:			
Shareholders of the Company		**1,519**	768
Non-controlling interests		**151**	(62)
		1,670	706

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2010

	Notes	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Non-current assets			
Investment properties	9	23,676	21,206
Property, plant and equipment		335	356
Prepaid lease payments		42	43
Interests in associates	10	930	862
Loans to associates	10	1,281	1,273
Accounts receivable	11	33	59
Pledged bank deposits		1,164	1,222
Deferred tax assets		187	139
		27,648	25,160
Current assets			
Properties under development for sale		11,815	11,532
Properties held for sale		769	627
Accounts receivable, deposits and prepayments	11	1,586	933
Loans receivable		485	378
Amounts due from associates	10	299	147
Amounts due from related parties		199	73
Amounts due from non-controlling shareholders of subsidiaries		38	17
Pledged bank deposits		850	797
Bank balances and cash		2,915	2,928
		18,956	17,432
Current liabilities			
Accounts payable, deposits received and accrued charges	13	3,181	4,305
Amounts due to related parties		118	69
Amounts due to associates	10	37	45
Amounts due to non-controlling shareholders of subsidiaries		214	475
Loan from a non-controlling shareholder of a subsidiary		300	442
Dividend payable		530	–
Tax liabilities		1,347	1,404
Bank borrowings – due within one year		1,474	2,098
		7,201	8,838
Net current assets		11,755	8,594
Total assets less current liabilities		39,403	33,754

	Notes	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Capital and reserves			
Share capital	14	99	99
Reserves		22,507	21,480
Equity attributable to shareholders of the Company		22,606	21,579
Non-controlling interests		1,158	995
Total equity		23,764	22,574
Non-current liabilities			
Bank borrowings – due after one year		10,999	8,105
Derivative financial instruments designated as hedging instruments	12	250	211
Loans from non-controlling shareholders of subsidiaries		1,669	670
Deferred tax liabilities		2,719	2,192
Defined benefit liabilities		2	2
		15,639	11,180
Total equity and non-current liabilities		39,403	33,754

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	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	Non-controlling interests RMB' million	Total RMB' million
At 1 January 2010 (audited)	**99**	**12,433**	**122**	**(101)**	**136**	**19**	**(91)**	**603**	**8,359**	**21,579**	**995**	**22,574**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,557**	**1,557**	**151**	**1,708**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**1**	**–**	**1**
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**(39)**	**–**	**–**	**(39)**	**–**	**(39)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**1**	**(39)**	**–**	**1,557**	**1,519**	**151**	**1,670**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**17**	**–**	**–**	**–**	**–**	**17**	**–**	**17**
Capital injection	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Dividend paid to a non–controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Release of special reserve upon disposal of related assets	**–**	**–**	**–**	**21**	**–**	**–**	**–**	**–**	**–**	**21**	**–**	**21**
2009 final dividend of HK$0.12 per share approved	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(530)**	**(530)**	**–**	**(530)**
At 30 June 2010 (unaudited)	**99**	**12,433**	**122**	**(80)**	**153**	**20**	**(130)**	**603**	**9,386**	**22,606**	**1,158**	**23,764**
At 1 January 2009 (audited)	84	10,689	122	(393)	89	38	(136)	603	5,767	16,863	1,312	18,175
Profit for the period	–	–	–	–	–	–	–	–	718	718	(62)	656
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(10)	–	–	–	(10)	–	(10)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 12)	–	–	–	–	–	–	60	–	–	60	–	60
Total comprehensive income for the period	–	–	–	–	–	(10)	60	–	718	768	(62)	706
Recognition of equity-settled share-based payment expenses	–	–	–	–	30	–	–	–	–	30	–	30
Bonus issue of shares	8	(8)	–	–	–	–	–	–	–	–	–	–
Issue of new shares at a premium	7	1,790	–	–	–	–	–	–	–	1,797	–	1,797
Transaction costs attributable to issue of new shares	–	(38)	–	–	–	–	–	–	–	(38)	–	(38)
Dividend paid to a non–controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	(204)	(204)
2008 final dividend of HK$0.01 per share paid	–	–	–	–	–	–	–	–	(37)	(37)	–	(37)
At 30 June 2009 (unaudited)	99	12,433	122	(393)	119	28	(76)	603	6,448	19,383	1,046	20,429

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 RMB'million (Unaudited)	2009 RMB'million (Unaudited)
Net cash (used in) from operating activities		**(1,356)**	769
Net cash used in investing activities			
Additions to investment properties		**(1,022)**	(1,682)
Proceeds from disposal of investment properties		**185**	–
Decrease (increase) in pledged bank deposits		**5**	(913)
Acquisition of a subsidiary	17	**(109)**	–
Proceeds from partial disposal of equity interests in subsidiaries		**–**	339
(Increase) decrease in amounts due from associates		**(141)**	307
Increase in loans receivable		**(107)**	(3)
Other investing cash flows		**43**	15
		(1,146)	(1,937)
Net cash from financing activities			
Net proceeds on issuance of new shares		**–**	1,759
Advance from non-controlling shareholders of subsidiaries		**575**	140
Capital injected by non-controlling shareholders of subsidiaries		**13**	–
New bank loans raised		**2,849**	2,465
Repayment of bank loans		**(507)**	(1,394)
Increase in amounts due to associates		**–**	54
Interest and bank charges paid		**(440)**	(382)
Dividend paid		**–**	(37)
Dividend paid to a non-controlling shareholder of a subsidiary		**(1)**	(204)
		2,489	2,401
Net (decrease) increase in cash and cash equivalents		**(13)**	1,233
Cash and cash equivalents at the beginning of the period		**2,928**	1,671
Effect of foreign exchange rate changes		**–**	(1)
Cash and cash equivalents at the end of the period		**2,915**	2,903
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**2,915**	2,903

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") 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 certain investment properties and derivative 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 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referred to as "new and revised IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1 January 2010.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

The Group applies IFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised) and IAS 27 (Revised) has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

The application of the other new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied the following new and revised IFRSs, IASs and IFRICs that have been issued by the IASB but are not yet effective:

IFRSs (Amendments)	Improvement to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of other new and revised IFRSs, IASs and IFRICs will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENTAL INFORMATION

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

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Property development:		
Property sales	**2,778**	1,010
Property investment:		
Rental income from investment properties	**269**	260
Income from serviced apartments	**12**	9
Property management fees	**16**	13
Rental related income	**29**	23
	326	305
Others	**17**	20
	3,121	1,335

For management purposes, the Group's business activities are broadly categorised into the following two major reportable segments – property development and property investment.

3. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

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

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

Six months ended 30 June 2010 (Unaudited)

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	**2,778**	**326**	**17**	**3,121**
Results				
Segment results	**898**	**1,698**	**10**	**2,606**
Interest income				**69**
Share of results of associates				**68**
Finance costs, net of exchange gain				**(36)**
Net unallocated expenses				**(167)**
Profit before taxation				**2,540**
Taxation				**(832)**
Profit for the period				**1,708**

Six months ended 30 June 2009 (Unaudited)

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	1,010	305	20	1,335
Results				
Segment results	18	439	11	468
Interest income				107
Share of results of associates				398
Finance costs, net of exchange gain				(60)
Net unallocated expenses				(179)
Profit before taxation				734
Taxation				(78)
Profit for the period				656

4. OPERATING PROFIT

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Operating profit has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	**4**	–
Depreciation of property, plant and equipment	**29**	25
Less: Amount capitalised to properties under development	**–**	(1)
	29	24
Release of prepaid lease payments	**1**	1
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and allowances	**19**	8
Share-based payment expenses	**1**	2
	21	11
Other staff costs		
Salaries, bonuses and allowances	**174**	138
Retirement benefit costs	**12**	13
Share-based payment expenses	**16**	28
	202	179
Total employee benefits expenses	**223**	190
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(51)**	(43)
	172	147
Cost of properties sold recognised as an expense	**1,761**	886
Rental charges under operating leases	**19**	23
Interest income	**(69)**	(107)

5. FINANCE COSTS, NET OF EXCHANGE GAIN

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	**248**	198
Interest on amounts due to non-controlling shareholders of subsidiaries wholly repayable within five years (Note 20)	**4**	25
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years (Note 20)	**64**	30
Imputed interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (Note 20)	**–**	1
Interest on loan from a director wholly repayable within five years (Note 20)	**–**	23
Add: Net interest expense from interest rate swaps designated as cash flow hedge	**66**	53
Total interest costs	**382**	330
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(356)**	(311)
	26	19
Net exchange gain on bank borrowings and other financing activities	**(48)**	(12)
Other finance costs	**58**	53
	36	60

Borrowing costs capitalised during the six months ended 30 June 2010 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 6.6% (six months ended 30 June 2009: approximately 5.5%) per annum to expenditure on the qualifying assets.

6. TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
People's Republic of China ("PRC") Enterprise Income Tax	**152**	73
Deferred taxation	**480**	(23)
PRC Land Appreciation Tax	**200**	28
	832	78

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

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (six months ended 30 June 2009: 25%) on the assessable profits of the companies in the Group during the period.

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

7. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
2009 Final dividend approved (2009: 2008 final dividend paid)	**530**	37
Interim dividend declared in respect of 2010 of HK$0.06 (2009: HK$0.01) per share	**270**	44

The Board has declared the payment of HK$0.06 (equivalent to RMB0.053) (2009: HK$0.01 (equivalent to RMB0.0088)) per share as the interim dividend in respect of 2010. Subject to the approval of The Stock Exchange of Hong Kong Limited, the 2010 interim dividend will be payable in the form of cash and/or shares of the Company as shareholders will be given the option to elect to receive their interim dividend in new, fully paid shares in lieu of all or part of cash.

In May 2010, a final dividend in respect of 2009 of HK$0.12 (equivalent to RMB0.11) per share was approved by the shareholders of the Company at the annual general meeting. The 2009 final dividend was paid in July 2010 in the form of cash and/or shares of the Company as shareholders were given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash.

In June 2009, a final dividend in respect of 2008 of HK$0.01 (equivalent to RMB0.0088) per share was paid to the shareholders of the Company. In addition, a bonus issue of shares, which represented a total of 418,559,717 ordinary shares, was issued to the shareholders of the Company on the basis of one bonus share for every ten ordinary shares then held. The bonus shares ranked pari passu with the existing ordinary shares in all respects.

8. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the period attributable to shareholders of the Company	**1,557**	718

Number of shares

	Six months ended 30 June	
	2010	2009
	'million	'million
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,023**	4,620
Effect of dilutive potential shares: Share options issued by the Company (Note)	**–**	44
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**5,023**	4,664

Note:

There were no dilution effects for share options granted as the exercise prices of these share options granted were higher than the average market price for the period (six months ended 30 June 2009: Other than the share options granted on 3 November 2008, there were no dilution effects for other share options granted as the exercise prices of these share options granted were higher than the average market price for the period).

9. INVESTMENT PROPERTIES

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	9,749	9,384
Investment properties under construction or development,		
stated at fair value	8,381	6,129
stated at cost	5,546	5,693
	13,927	11,822
	23,676	21,206

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

	Six months ended 30 June	
	2010 RMB'million (Unaudited)	2009 RMB'million (Unaudited)
At 1st January	21,206	8,466
Reclassified from prepaid lease payments and properties under development	–	8,657
Eliminated upon disposal	(162)	–
Acquisition of a subsidiary	67	–
Additions	1,104	2,605
Increase in fair value recognised in the condensed consolidated income statement	1,461	199
At 30th June	23,676	19,927

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

In circumstances where the fair value of an investment property under construction or development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is completed, such investment properties under construction or development are measured at cost using the cost model in IAS 16 until either its fair value becomes reliably determinable or construction is completed (whichever is the earlier).

The fair values of the Group's investment properties at 30 June 2010 and 31 December 2009 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected to the Group.

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

For investment properties under construction or development, the valuations have been arrived at by adopting direct comparison approach with reference to comparable transactions in the locality and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations have also taken into account the relevant future cost of development, including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the properties.

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

	Notes	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Cost of investments, unlisted		**357**	357
Share of post acquisition profits		**573**	505
		930	862
Loans to associates			
– Interest free	(a)	**804**	1,273
– Interest bearing at 5% per annum	(b)	**477**	–
		1,281	1,273
Amounts due from associates	(c)	**299**	147
Amounts due to associates	(d)	**37**	45

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast Group Limited ("Richcoast"), an associate of the Group, for financing the development of Dalian Tiandi project. Pursuant to the Joint Venture Agreement dated 25 May 2007, the loans are unsecured, interest-free and with no fixed terms of repayment until Many Gain International Limited ("Many Gain"), a shareholder of Richcoast which is an independent third party, has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rates of 5.4% (31 December 2009: 7.3%) per annum.

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

(c) The amounts due from associates are unsecured, interest bearing at 6.1% (31 December 2009: 5.8%) per annum and repayable on demand.

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

11. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Non-current accounts receivable comprise of:		
Deferred rental receivables	**33**	59
Current accounts receivable comprise:		
Trade receivables (net of allowance for bad and doubtful debts) with aging analysis:		
Not yet due	**48**	172
Within 30 days	**10**	5
31 – 60 days	**3**	3
61 – 90 days	**2**	2
Over 90 days	**8**	4
	71	186
Prepayments of relocation costs (Note)	**934**	483
Deposit for land acquisition	**331**	–
Other deposits, prepayments and receivables	**250**	264
	1,586	933

11. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONTINUED)

Trade receivables comprise:

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

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

Note:

The balance represents the amounts that will be capitalised to properties under development for sale in accordance with the Group's normal operating cycle, and not expected to be realised within twelve months from the end of the reporting period.

12. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

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

At 30 June 2010 and 31 December 2009, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interest at variable rates at Hong Kong Interbank Offered Rate ("HIBOR") and pay interest at fixed rates ranging from 1.32% to 3.58% (31 December 2009: 3.32% to 3.58%) based on the notional amounts of HK$5,081 million (31 December 2009: HK$4,581 million) in aggregate. The Group designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group amounting to HK$5,081 million (31 December 2009: HK$4,581 million) which bear variable interest rates at HIBOR plus spread ranging from 2.75% to 3.00% (31 December 2009: 2.75% to 2.90%) and mature on or before March 2013. 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 2010, fair value loss arising from the interest rate swaps of RMB39 million (six months ended 30 June 2009: fair value gain of RMB60 million) was recognised in other comprehensive income and accumulated in hedge reserve, which is expected to be recognised in the condensed consolidated income statement at various dates upon the interest payments of the related bank borrowings are expected to settle.

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Trade payable with aging analysis:		
Not yet due	**1,245**	1,138
Within 30 days	**24**	5
31 – 60 days	**2**	6
61 – 90 days	**1**	2
Over 90 days	**4**	–
	1,276	1,151
Retention payables (Note)	**155**	128
Deed tax, business tax and other tax payables	**402**	442
Deposits received and receipt in advance from property sales	**974**	2,235
Deposits received and receipt in advance in respect of rental of investment properties	**212**	174
Accrued charges	**162**	175
	3,181	4,305

Note:

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

14. SHARE CAPITAL

Ordinary shares of US$0.0025 each	Authorised Number of shares	Authorised US$'000	Issued and fully paid Number of shares	Issued and fully paid US$'000
At 1 January 2009	12,000,000,000	30,000	4,185,597,171	10,464
Issue of bonus shares (note 7)	–	–	418,559,717	1,046
Issue of new shares	–	–	418,500,000	1,046
At 30 June 2009, 1 January 2010 and 30 June 2010	**12,000,000,000**	**30,000**	**5,022,656,888**	**12,556**

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Shown in the condensed consolidated statement of financial position as	**99**	99

In June 2009, 418,500,000 new ordinary shares were issued to independent third parties at the price of HK$4.87 per share. The gross proceeds from the new issue were approximately HK$2,038 million (equivalent to RMB1,797 million). The new ordinary shares rank pari passu with the existing ordinary shares in all respects.

15. OTHER RESERVES

(a) Merger reserve represents the aggregate of:

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

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

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

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

During the six months ended 30 June 2010, an amount of RMB21 million was released to condensed consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates (six months ended 30 June 2009: nil).

15. OTHER RESERVES (CONTINUED)

(c) Other reserves comprise:

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

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

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

16. SHARE-BASED PAYMENT TRANSACTIONS

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

At 30 June 2010, 153,884,399 share options (31 December 2009: 166,375,605 share options) remained outstanding under the Scheme, representing 3.1% (31 December 2009: 3.3%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

The Group recognised the total expense of RMB17 million (six months ended 30 June 2009: RMB30 million) in the consolidated condensed income statement in relation to share options granted by the Company.

16. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

No share options were granted or exercised during the six months ended 30 June 2010 and 30 June 2009. The movement in the Company's share options is set out below:

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

		Number of options				
Date of grant	Exercise price HK$	At 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2009
20 June 2007	7.00	118,747,544	–	–	(4,895,062)	113,852,482
1 August 2007	8.18	1,371,013	–	–	(64,180)	1,306,833
2 October 2007	10.00	4,845,000	–	–	(2,125,000)	2,720,000
1 November 2007	11.78	4,272,054	–	–	(10,611)	4,261,443
3 December 2007	9.88	1,500,488	–	–	(151,820)	1,348,668
2 January 2008	8.97	3,449,266	–	–	(44,593)	3,404,673
1 February 2008	8.05	2,099,366	–	–	(291,923)	1,807,443
3 March 2008	7.68	774,732	–	–	(19,531)	755,201
2 May 2008	7.93	7,796,274	–	–	(312,102)	7,484,172
2 June 2008	7.34	15,837,819	–	–	(551,766)	15,286,053
2 July 2008	6.46	1,784,027	–	–	(108,357)	1,675,670
3 November 2008	1.60	100,250,000	–	–	(10,609,375)	89,640,625
Total		262,727,583	–	–	(19,184,320)	243,543,263
Number of options exercisable at the beginning and end of the period		3,900,000				17,628,252

16. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

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

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

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

17. ACQUISITION OF A SUBSIDIARY

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

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

The net assets acquired in the transaction were as follows:

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

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

18. PLEDGE OF ASSETS

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

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Investment properties	15,135	13,243
Property, plant and equipment	127	128
Prepaid lease payments	42	43
Properties under development held for sale	3,953	4,948
Properties held for sale	116	406
Accounts receivable	69	90
Bank deposits	2,014	2,019
	21,456	20,877

Included in pledged bank deposits above is an amount of RMB265 million (31 December 2009: RMB265 million) which has been pledged to secure banking facilities granted to an associate. All the other assets were pledged to secure banking facilities granted to the Group.

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

19. COMMITMENTS AND CONTINGENCIES

As of the respective reporting dates, the Group had the following commitments:

Contracted but not provided for:	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Development costs for investment properties	5,748	6,534
Development costs for properties under development held for sale	8,737	7,884
	14,485	14,418

As of 30 June 2010 and 31 December 2009, the commitment for development costs included the committed relocation costs for the development of 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 that area. The commitment for development costs also included the remaining outstanding cost of acquisition for land use rights in Foshan City, Guangdong Province, the PRC amounted to RMB4,120 million (31 December 2009: RMB4,324 million). These development costs will be paid in stages according to the relocation progress of the land.

Except as disclosed above, there have been no material changes in the Group's capital and other commitments as well as contingent liabilities since 31 December 2009.

20. RELATED PARTY TRANSACTIONS

Apart from the related balances as stated in the condensed consolidated statement of financial position, the Group also had the following transactions with related parties during the period:

	Six months ended 30 June	
Nature of transactions	2010 RMB million (Unaudited)	2009 RMB million (Unaudited)
SOCL and its subsidiaries and associates other than those of the Group		
Project construction fees	161	67
Rental and building management fee expenses	13	20
Travelling expenses	11	–
Project management fee income	5	8
Interest income	–	1
Associates		
Interest income	16	–
Imputed interest income	19	62
Project management fee income	8	–
Non-controlling shareholders of subsidiaries		
Interest expenses	68	55
Imputed interest expenses	–	1
Property management fee	2	2
Jointly controlled entity		
Rental and building management fee income	2	2
A director		
Interest expenses	–	23
Senior management		
Property sales	20	2

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK$0.06 per share (2009: HK$0.01 per share) for the six months ended 30 June 2010, which is payable on 8 November 2010 to shareholders whose names appear on the register of members of the Company on 30 September 2010.

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

A circular containing details of the Scrip Dividend Scheme will be dispatched to shareholders together with the form of election for scrip dividend on or about 8 October 2010. It is expected that the interim dividend warrants and share certificates will be dispatched to shareholders on 8 November 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 September 2010 to 30 September 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 28 September 2010.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2010, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") or which were required to be recorded in the register required to be kept under section 352 of the SFO were as follows:

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Long position in the shares and the underlying shares of the Company

Name of Directors	Number of ordinary shares: Personal interests	Family interests	Other interests	Total	Interests in the underlying shares (Note 5)	Approximate percentage of interests to the issued share capital of the Company at 30 June 2010 (Note 6)
Mr. Vincent H. S. LO	–	1,312,916 (Notes 1 & 3)	2,609,616,727 (Notes 2 & 3)	2,610,929,643	–	51.98%
Mr. Louis H. W. WONG	1,982,200	–	–	1,982,200	5,428,570	0.14%
Mr. Freddy C. K. LEE	286,000	208,500 (Note 4)	–	494,500	5,154,811 (Note 4)	0.11%
Dr. William K. L. FUNG	4,070,000	–	–	4,070,000	–	0.08%
The Honourable LEUNG Chun Ying	–	–	–	–	500,000	0.01%
Sir John R. H. BOND	–	–	–	–	500,000	0.01%
Dr. Edgar W. K. CHENG	–	–	–	–	500,000	0.01%
Professor Gary C. BIDDLE	220,000	–	–	220,000	500,000	0.01%
Dr. Roger L. McCARTHY	–	–	–	–	500,000	0.01%
Mr. David J. SHAW	–	–	–	–	500,000	0.01%

Notes:

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

(2) These shares were beneficially owned by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,389,993,701 shares, 1,084,268,286 shares and 135,354,740 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI") and New Rainbow Investments Limited ("NRI") respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under the SFO.

(3) These shares included the respective interests of SOP, SOI, NRI and Mrs. Lo (as the case may be) in the scrip shares allotted on 19 July 2010 pursuant to the Scrip Dividend Scheme as set out in the Company's circular dated 18 June 2010.

(4) Mr. Freddy C. K. LEE was deemed to be interested in 208,500 shares and 962,938 share options held by his spouse under the SFO.

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

(6) These percentages have been compiled based on the total number of shares of the Company in issue (i.e. 5,022,656,888 shares) at 30 June 2010.

Save as disclosed above, at 30 June 2010, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be recorded in the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 30 June 2010, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares	Approximate percentage of shareholding to the issued share capital of the Company at 30 June 2010 (Note 4)
Ms. Loletta CHU	Family and Personal	2,610,929,643 (Notes 1 & 3)	51.98%
HSBC International Trustee Limited	Trustee	2,609,616,727 (Notes 2 & 3)	51.95%
Bosrich Holdings (PTC) Inc.	Trustee	2,609,616,727 (Notes 2 & 3)	51.95%
Shui On Company Limited	Interests of controlled corporation	2,609,616,727 (Notes 2 & 3)	51.95%

Notes:

(1) These shares were comprised of 1,312,916 shares beneficially held by Mrs. Lo and 2,609,616,727 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under the SFO mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 2,609,616,727 shares under the SFO.

(2) These shares were beneficially owned by SOCL through its controlled corporations, comprising 1,389,993,701 shares, 1,084,268,286 shares and 135,354,740 shares held by SOP, SOI and NRI respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC Trustee is the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

(3) These shares included the respective interests of SOP, SOI, NRI and Mrs. Lo (as the case may be) in the scrip shares allotted on 19 July 2010 pursuant to the Scrip Dividend Scheme as set out in the Company's circular dated 18 June 2010.

(4) These percentages have been compiled based on the total number of shares of the Company in issue (i.e. 5,022,656,888 shares) at 30 June 2010.

(5) All the interests stated above represent long positions.

Save as disclosed above, at 30 June 2010, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTIONS

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 are set out in note 16 to the Condensed Consolidated Financial Statements.

The following table sets out the movement of the Company's share options during the six months ended 30 June 2010:

Name or category of Eligible participants	Date of grant	Exercise price per share HK$	At 1 January 2010	Reclassifications	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2010	Period during which the share options are exercisable
Directors									
Mr. Louis H. W. WONG	20 June 2007	7.00	5,510,203	–	–	–	(81,633)	5,428,570	20 June 2009 – 19 June 2016
Mr. Freddy C. K. LEE	20 June 2007	7.00	–	3,571,428	–	–	(51,021)	3,520,407	20 June 2009 – 19 June 2016
	2 June 2008	7.34	–	681,198	–	–	(9,732)	671,466	2 June 2010 – 1 June 2017
The Honourable LEUNG Chun Ying	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Sir John R. H. BOND	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Edgar W. K. CHENG	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Professor Gary C. BIDDLE	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Dr. Roger L. McCARTHY	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. David J. SHAW	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Mr. Aloysius T. S. LEE (Note 1)	1 November 2007	11.78	318,336	–	–	–	(318,336)	–	1 November 2009 – 15 March 2010
Sub-total			8,828,539	4,252,626	–	–	(460,722)	12,620,443	
Consultants									
Mr. Richard K. N. HO	20 June 2007	7.00	1,000,000	–	–	–	–	1,000,000	20 June 2007 – 19 June 2016
Dr. Thomas K. F. LEUNG	20 June 2007	7.00	500,000	–	–	–	–	500,000	20 June 2007 – 19 June 2012
Sub-total			1,500,000	–	–	–	–	1,500,000	
Employees (in aggregate)	20 June 2007	7.00	96,621,895	(3,571,428)	–	–	(7,805,108)	85,245,359	20 June 2009 – 19 June 2016
	1 August 2007	8.18	1,269,802	–	–	–	(115,392)	1,154,410	1 August 2009 – 31 July 2016
	2 October 2007	10.00	2,468,768	–	–	–	(224,192)	2,244,576	2 October 2009 – 1 October 2016
	1 November 2007	11.78	983,279	–	–	–	(63,211)	920,068	1 November 2009 – 31 October 2016
	3 December 2007	9.88	1,234,329	–	–	–	(121,509)	1,112,820	3 December 2009 – 2 December 2016
	2 January 2008	8.97	3,358,409	–	–	–	(119,067)	3,239,342	2 January 2010 – 1 January 2017
	1 February 2008	8.05	1,717,382	–	–	–	(46,236)	1,671,146	1 February 2010 – 31 January 2017
	3 March 2008	7.68	735,670	–	–	–	(53,835)	681,835	3 March 2010 – 2 March 2017
	2 May 2008	7.93	7,238,273	–	–	–	(854,564)	6,383,709	2 May 2010 – 1 May 2017
	2 June 2008	7.34	15,231,560	(681,198)	–	–	(1,229,144)	13,321,218	2 June 2010 – 1 June 2017
	2 July 2008	6.46	1,482,175	–	–	–	(332,814)	1,149,361	2 July 2010 – 1 July 2017
	4 September 2009	4.90	23,705,524	–	–	–	(1,065,412)	22,640,112	3 November 2010 – 2 November 2017
Sub-total			156,047,066	(4,252,626)	–	–	(12,030,484)	139,763,956	
Total			166,375,605	–	–	–	(12,491,206)	153,884,399	

Notes:

(1) Mr. Aloysius T. S. LEE resigned as an executive director of the Company with effect from 16 December 2009 and his share options lapsed on 15 March 2010.

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

CORPORATE GOVERNANCE

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

Model Code for Securities Transactions

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2010.

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

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

Board Composition

During the six months ended 30 June 2010, the majority of the members of the Board of Directors of the Company were Independent Non-executive Directors (“INEDs”). The Board is currently made up of eleven members in total, with four 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 2010, 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 2010, including the accounting principles and practices adopted by the Company, in conjunction with the Company’s external auditors.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee

During the six months ended 30 June 2010, the Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. Vincent H. S. LO ("Mr. LO") and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. FUNG.

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

Nomination Committee

The Nomination Committee currently comprises three members, Mr. LO, Sir John R. H. BOND and Professor BIDDLE. Sir John R. H. BOND and Professor BIDDLE are INEDs. The chairman of the Nomination Committee is Mr. LO.

The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

Finance Committee

During the six months ended 30 June 2010, the Finance Committee consists of six members, namely Mr. LO, Sir John R.H. BOND, Dr. FUNG, Professor BIDDLE, Mr. Louis H. W. WONG, and Mr. Daniel Y. K. WAN. Sir John R. H. BOND, Dr. FUNG and Professor BIDDLE are INEDs. The chairman of the Finance Committee is Mr. LO.

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

Compliance with Code on Corporate Governance Practices

During the six months ended 30 June 2010, 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.

Awards on Corporate Governance

The Company was awarded as one of the "2010 Top 10 Growth Ability of Listed Real Estate Developers in China" and "2010 Top 50 Listed Real Estate Developers in China" organised by the China Real Estate Appraisal, and also as one of the winners of the "Outstanding Mainland Property Stock Awards 2010" organised by the Hong Kong Economic Digest.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2010.

DISCLOSURES UNDER RULE 13.21 OF THE LISTING RULES

On 28 November 2006, the Company entered into a guarantee (the "Guarantee") to guarantee the performance of its subsidiary, Chongqing Shui On Tiandi Property Development Company Limited ("Chongqing Tiandi"), under a loan facility of up to RMB300 million granted by The Hongkong and Shanghai Banking Corporation Limited, Shanghai Branch and subsequently transferred and assigned to HSBC Bank (China) Company Limited, Chongqing Branch (the "Chongqing HSBC Loan"). The Guarantee requires that Mr. 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 in Chongqing Tiandi.

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

On 13 May 2010, SODH as borrower, the Company as guarantor and The Hongkong and Shanghai Banking Corporation Limited as lender entered into a facility letter in relation to a three-year term loan facility of up to HK$250,000,000 (the "HSBC Loan"). Pursuant to the facility letter, there is a requirement that the Lo Family maintains a minimum 35% of the direct or indirect legal and beneficial shareholding in the Company during the term of the facility letter.

Any breach of the above obligations will cause a default in respect of the Chongqing HSBC Loan, the BNP Loan and the HSBC Loan, and may trigger cross defaults in other outstanding bank loans of the Group in the aggregate amount of approximately RMB7,477 million as of 30 June 2010.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2010, the number of employees in the Group was 1,305 (31 December 2009: 1,402); in addition, the headcount of the property management business was 1,230 (31 December 2009: 1,114). The Group provides comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programmes organised by professional bodies and educational institutes.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Vincent H. S. LO
(Chairman and Chief Executive Officer)

Mr. Louis H. W. WONG
(Managing Director – Project Management)

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

Mr. Freddy C. K. LEE
(Managing Director)

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

NOMINATION COMMITTEE

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

FINANCE COMMITTEE

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

COMPANY SECRETARY

Mr. UY Kim Lun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Freshfields Bruckhaus Deringer
Mayer Brown JSM

REGISTERED OFFICE

Walker House, 87 Mary Street
George Town
Grand Cayman KY1-9005
Cayman Islands

CORPORATE HEADQUARTER

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 REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China 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 Limited
Standard Chartered Bank Limited

STOCK CODE

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WEBSITE

www.shuionland.com