



WOOD

SUSTAINABLE GROWTH

Our adoption of LEED System, a world renowned green building rating system managed by the U.S. Green Building Council, and the philanthropic activities of the Seagull Club, a Shui On employees volunteer charity organisation, are examples of how we are committed to

social responsibility



CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of the Company is pleased to present the Corporate Governance Report for the year ended 31 December 2011.

The Company is committed to enhancing its corporate governance practices appropriately to the conduct and growth of its business, and to pursue a right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Main Board Listing Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and align with its latest amendments. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholders’ value, and stakeholders’ confidence in the Company.

The fruitful results of good corporate governance practices have enabled the Company to leverage its competitive advantages from many perspectives. The trust and support from the Company’s stakeholders have become drivers and enablers of our continuing success and growth. The Company has experienced these benefits during its on-shore and off-shore fund raisings as well as when entering into long term strategic partnership with renowned companies. From an ethical perspective, our integrity has won the

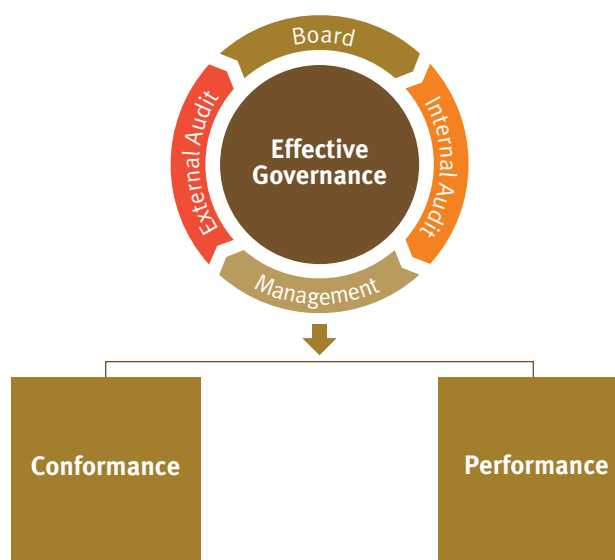
trust of the PRC Government which has in consequence granted us more new large scale metropolitan development projects, such as THE HUB at Shanghai Hongqiao Transportation Hub.

In reflection of this, the Company was proud to receive a number of awards from various organisations for high standards of corporate governance and investor relations during 2011.

These awards are listed in the “Awards Received” section of this report.

The Board would like to take this opportunity to express its gratitude to Mr. LEUNG Chun Ying, Dr. Edgar W. K. CHENG, and Mr. Louis H. W. WONG, who have resigned or retired from the Board, for their valuable advice and contributions during their terms of services.

SHUI ON LAND CORPORATE GOVERNANCE FRAMEWORK



The Company pursues a right balance between conformance and performance in its corporate governance.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of the various procedures and documentation, which are detailed in this report. The Company has applied the principles of and complied with the applicable code provisions of the CG Code contained in Appendix 14 of the Listing Rules on the Stock Exchange during the year ended 31 December 2011, with the exception of CG Code provision A.2.1 for a period in early 2011 for well considered reasons as explained below.

At the time of this report, the Company has already implemented all the corporate governance practices necessary to fulfill the new mandatory requirements of the relevant Listing Rules of the Stock Exchange prior to its latest effective date on 1 April 2012. The Company uses a standard checklist to check and review periodically the compliance with the concurrent CG Code.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has reserved for its decision or consideration matters concerning principally the Company's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointments or re-appointments, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the daily operations and administration of the Company to the

management. The respective functions of the Board and management of the Company have been formalised and set out in a written document (see Exhibit 1). The Board will review this document once a year. In addition, the Board has established respective board committees and has delegated to these board committees various responsibilities set out in their terms of reference.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary (who reports to the Chairman of the Board and the Chief Executive Officer ("CEO") of the Company), with a view to ensuring that Board procedures and all applicable rules and regulations are followed. In addition, a written

procedure has been established to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Board has the full support of the CEO, Managing Directors and the senior management in discharging its responsibilities.

BOARD COMPOSITION

As a commitment to good corporate governance, Article No. 97(1) of the Company's Articles of Association stipulates that subject to the conditions under Article No. 135, the Board shall include a majority of INEDs.

During the year ended 31 December 2011, the members of the Board of the Company were as follows:

Executive Directors

Mr. Vincent H. S. LO
(Chairman)

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

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

Mr. Louis H. W. WONG
(Retired with effect from 16 March 2011)

Non-executive Directors

Mr. LEUNG Chun Ying
(Resigned with effect from 31 December 2011)

Mr. Frankie Y. L. WONG
(Appointed with effect from 17 August 2011)

Independent Non-executive Directors ("INEDs")

Sir John R. H. BOND

Dr. Edgar W. K. CHENG
(Resigned with effect from 3 November 2011)

Dr. William K. L. FUNG

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Mr. David J. SHAW

Mr. LEUNG Chun Ying resigned as he would like to concentrate his efforts on the 2012 Hong Kong Chief Executive election. He and Dr. Edgar W. K. CHENG both confirmed that they have no disagreement with the Board and there were no other matters that need to be brought to the attention of the shareholders of the Company in relation to their resignations.

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.

During the period from 3 November 2011 to 31 December 2011, half of the members of the Board were INEDs. For the remainder of the year ended 31 December 2011, the majority of the members of the Board were INEDs. The Board is currently made up of nine members in total, with three Executive Directors, one Non-executive Director and five INEDs.

The current Board of the Company comprises the following Directors:

Executive Directors:

Mr. Vincent H. S. LO
(Chairman of the Board, member of Remuneration Committee, and Chairman of Nomination and Finance Committees)

Mr. Freddy C. K. LEE
(Managing Director and Chief Executive Officer, and member of Finance Committee)

Mr. Daniel Y. K. WAN
(Managing Director and Chief Financial Officer, and member of Finance Committee)

Non-executive Director:

Mr. Frankie Y. L. WONG
(Member of Audit and Finance Committees)

Independent Non-executive Directors (INEDs):

Sir John R. H. BOND
(Member of Nomination and Finance Committees)

Dr. William K. L. FUNG
(Chairman of Remuneration Committee, and member of Finance Committee)

Professor Gary C. BIDDLE
(Chairman of Audit Committee, and member of Remuneration, Nomination and Finance Committees)

Dr. Roger L. McCARTHY
(Member of Audit Committee)

Mr. David J. SHAW

The above updated List of Directors and their Role and Function has been posted on the Company's and the Stock Exchange's websites.

The brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 104 to 109.

Currently, the Company has five INEDs representing more than half of the Board. The number of INEDs who have the appropriate professional

qualifications or accounting or related financial management expertise exceeds the requirement as stipulated under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. None of the members of the Board is related to another.

All Directors, including the Non-executive Director and INEDs,

bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board to ensure its efficient and effective functioning. INEDs are invited to serve on the Audit, Remuneration, Nomination and Finance Committees of the Company. Their active participation in Board and committee meetings brings independent judgment to bear on issues relating to the Company's strategy, performance and management processes, taking into account the interests of all shareholders. Site visits to the Company's projects are arranged from time to time to allow Board members keep abreast of the project developments.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association, a copy of which has been posted on the Company's website available for public inspection. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs.

Each of the Non-executive Directors of the Company is appointed for a specific term of three years and shall be subject to retirement by rotation once every three years.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first annual general meeting after their appointment and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Article No. 103 of the Company's Articles of Association also allows a qualified shareholder to propose a person, other than a retiring director of the Company or a person recommended by the Directors, for election as a director of the Company. The detailed requirements and procedure for such action have been posted on the Company's website.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

BOARD AND BOARD COMMITTEES MEETINGS

Number of Meetings and Directors' Attendance

The Company held five full board meetings in the year 2011 and has already set a schedule for its regular board meetings and committee meetings in the year 2012 in order to comply with the CG Code.

The attendance records of each Director at the board meetings are set out below:

Name of Directors	Attendance/Number of Meeting(s) Held during Tenure
Executive Directors	
Mr. Vincent H. S. LO (Chairman)	5/5
Mr. Freddy C. K. LEE	5/5
Mr. Daniel Y. K. WAN	5/5
Mr. Louis H. W. WONG (Retired with effect from 16 March 2011)	1/2
Non-executive Directors	
Mr. LEUNG Chun Ying (Resigned with effect from 31 December 2011)	4/5
Mr. Frankie Y. L. WONG (Appointed with effect from 17 August 2011)	1/1
INEDs	
Sir John R. H. BOND	3/5
Dr. Edgar W. K. CHENG (Resigned with effect from 3 November 2011)	4/4
Dr. William K. L. FUNG	4/5
Professor Gary C. BIDDLE	5/5
Dr. Roger L. McCARTHY	5/5
Mr. David J. SHAW	5/5

Practice and Conduct of Meetings

All Directors are given an opportunity to include matters in the agenda for regular board meetings. Annual meeting schedules and the draft agenda of each meeting are made available to Directors in advance. Board and committee meetings are scheduled at least one year in advance to facilitate the maximum attendance of Directors.

Notices of regular board meetings are served to all Directors at least 14 days before the meetings. For other board and committee meetings, reasonable notice is generally given. Board papers together with appropriate, complete and reliable information are sent to all Directors at least three days before each board or committee meeting to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular board meetings and when necessary, other board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all board and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current board practice, any material transaction that involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened board meeting. The interested Directors shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2011, the Company has complied with the code provisions of the CG Code except for the following deviation during the period of 1 January 2011 to 16 March 2011:

Code provision A.2.1: The roles of Chairman and CEO should be separate and should not be performed by the same individual.

The reason for this deviation was as follows:

Mr. Vincent H. S. LO, who is the founder of the Company, was both the Chairman and CEO of the Company up to 16 March 2011. The Board considered that vesting the roles of the Chairman and CEO in the same person was necessary because of the unique role and market importance of Mr. Vincent H. S. LO in the Company's business development efforts. This vesting provided strong and consistent market leadership and was critical for the efficient business planning and decisions of the Company in its maturing stage of development. Furthermore, all major decisions were made in consultation with members of the Board and appropriate board committees. There were six INEDs on the Board offering strong, independent and differing perspectives. The Board was therefore of the view that there were adequate balance of power and safeguards in place.

With the support of the Company Secretary and the senior management, the Chairman was responsible for ensuring that the Directors receive adequate, complete and reliable

information in a timely manner and appropriate briefings on issues arising at the board meetings, and that all key and appropriate issues were discussed by the Board in a similarly timely manner.

On 16 March 2011, the Chairman and all the Directors, unanimously agreed that it was now the appropriate time to separate the responsibilities and the roles of Chairman and CEO of the Company to enhance effectiveness of the Company's corporate governance structure.

With the appointment of Mr. Freddy C. K. LEE as CEO of the Company on 16 March 2011, while Mr. Vincent H. S. LO remained as the Chairman of the Company with effect from the same date, the Company has fully complied with the code provisions of the CG Code.

The division of responsibilities between the Chairman and the CEO is defined and elaborated in Exhibit 2.

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 throughout the year ended 31 December 2011.

To comply with the code provision A.5.4 of the CG Code, the Company 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 COMMITTEES

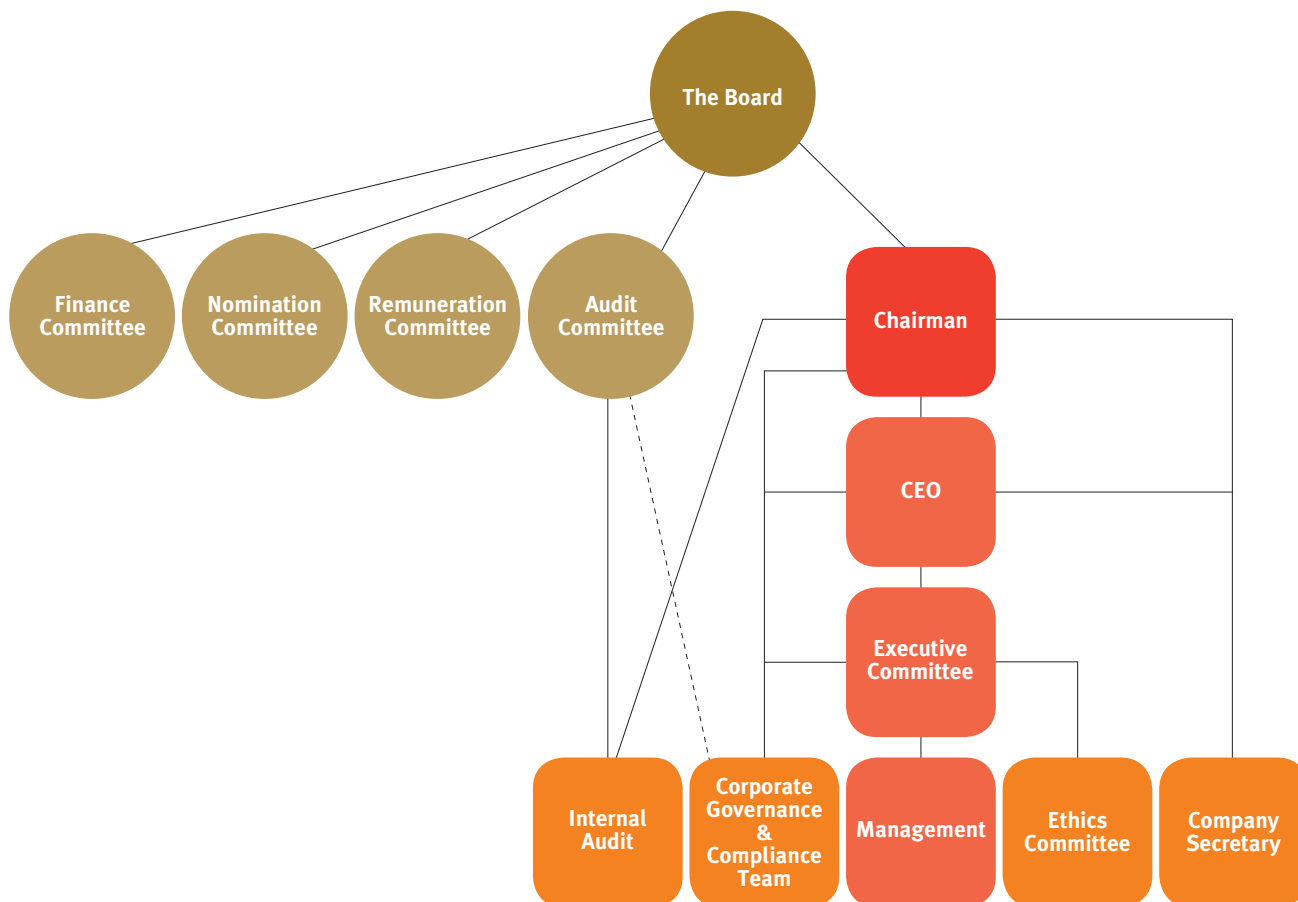
During the year ended 31 December 2011, the Board has four established committees, namely, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Finance Committee, for overseeing particular aspects of the Company's affairs.

The four board committees of the Company are established with defined written terms of reference, approved by the Board, which set out the Committees' major duties. The terms of reference of the board committees have been revised in January 2012 to accommodate with the latest amendments of the Stock Exchange's Listing Rules and the CG Code. These are now posted on the Company's and the Stock Exchange's websites and are available to shareholders.

Except for the Finance Committee, the majority of the members of each board committee are INEDs. The list of the chairman and members of each board committee is set out under "Corporate Information" on page 200.

The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

SHUI ON LAND CORPORATE GOVERNANCE ORGANISATION



REMUNERATION COMMITTEE

The Remuneration Committee consists of three members, namely Dr. William K. L. FUNG, Mr. Vincent H. S. LO and Professor Gary C. BIDDLE. Dr. William K. L. FUNG and Professor Gary C. BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. William K. L. FUNG.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration packages of the Directors and senior management, and to evaluate and make recommendations on employee benefit arrangements. Its updated duties are shown in Exhibit 3.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the CEO of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee normally meets to review the remuneration policy and structure and to determine the annual remuneration packages of the Executive Directors and the senior management and other related matters.

The Remuneration Committee held one meeting during the year ended 31 December 2011, and this meeting was attended by all three members.

During the year, major tasks of the Remuneration Committee included the review and evaluation of proposals on Long Term and Short Term Incentive Schemes in respect of executives' compensations which would link to and be measured by the Company's performance results; and the approvals of the remuneration packages of Executive Directors. The Committee reviewed also the share options scheme for staff, Directors and advisers; the



Finance Committee (From left to right): Mr. Frankie Y. L. WONG, Professor Gary C. BIDDLE, Dr. William K. L. FUNG, Mr. Vincent H. S. LO (Chairman), Sir John R. H. BOND, Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN

2010 bonus to Executive Directors, senior management and staff; the remuneration policy; and resolved to revise the mid point of the salary ranges to align with the market.

Details of the remuneration of the Directors for the year ended 31 December 2011 are set out in note 10 to the financial statements.

AUDIT COMMITTEE

During the year ended 31 December 2011, the Audit Committee consisted of three members. The members of the Audit Committee during the year were:

Professor Gary C. BIDDLE

Dr. Edgar W. K. CHENG (resigned with effect from 3 November 2011)

Dr. Roger L. McCARTHY

Mr. Frankie Y. L. WONG (appointed with effect from 3 November 2011)

Professor Gary C. BIDDLE and Dr. Roger L. McCARTHY are INEDs. The chairman of the Audit Committee is Professor Gary C. BIDDLE. All members of the Audit Committee have no previous relationships to the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant,

compliance officer, internal auditor or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial controls, internal control and risk management systems and associated procedures.

In January 2012, the Audit Committee was also assigned with the duties to assist the Board and its Chairman in performing the corporate governance duties as required under the latest amendments to the CG Code. The terms of reference of the Audit Committee have been revised accordingly and the updated duties are shown in details in Exhibit 4.

The Audit Committee has reviewed the Group's interim and annual results for the year ended 31 December 2011, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditors.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Audit Committee has the same view as the Board regarding the selection, appointment, resignation or dismissal of external auditors.

Two meetings were held by the Audit Committee during the year ended 31 December 2011 and these meetings were attended by all three concurrent members.

The Audit Committee also held separate meetings with the external auditors, the internal auditor and the finance executives once during the year to discuss on pertinent issues of the Company without the Executive Directors being present.

The Audit Committee reviewed the risk assessment conducted by the internal auditors on the Audit Committee Meetings and made summary

reports to the Board. The Committee reviewed and commented on all draft announcements and circulars required under the Stock Exchange's rules before their formal issuance. It also uses a self assessment checklist to review and enhance the performance of the Audit Committee on a semi-annual basis. Periodically, the members of the Audit Committee visit the Company's projects to keep abreast of their development. The Audit Committee also held a seminar with management on financing and accounting issues to enhance corporate governance.

NOMINATION COMMITTEE

The Nomination Committee currently comprises three members, Mr. Vincent H. S. LO, Sir John R. H. BOND and Professor Gary C. BIDDLE. Sir John R. H. BOND and Professor Gary C. BIDDLE are INEDs. The Chairman of the Nomination Committee is Mr. Vincent H. S. 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. The updated duties of the Nomination Committee are shown in Exhibit 5.

Meetings are held on need basis. One meeting was held by the Nomination Committee during the year ended 31 December 2011, and this meeting was attended by all three members. During the meeting, the members reviewed and approved the proposal to separate the responsibilities of the Chairman and the CEO; discussed on the composition and size of the Board; and reviewed and agreed on the nomination of an additional non-executive director.

FINANCE COMMITTEE

During the year ended 31 December 2011, the directors who were members of the Finance Committee were Mr. Vincent H. S. LO, Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Mr. Louis H. W. WONG (retired with effect from 16 March 2011), Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN and Mr. Frankie Y. L. WONG (appointed with effect from 17 August 2011). Sir John R. H. BOND, Dr. William K. L. FUNG and Professor Gary C. BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. Vincent H. S. LO.

Four meetings were held by the Finance Committee during the year ended 31 December 2011, and the attendance records are set out as below:

Name of Committee Members	Attendance/Number of Meeting(s) Held during Tenure
Mr. Vincent H. S. LO (Chairman)	4/4
Mr. Freddy C. K. LEE	4/4
Mr. Daniel Y. K. WAN	4/4
Mr. Louis H. W. WONG (Retired with effect from 16 March 2011)	1/2
Mr. Frankie Y. L. WONG (Appointed with effect from 17 August 2011)	0/0
Sir John R. H. BOND	3/4
Dr. William K. L. FUNG	4/4
Professor Gary C. BIDDLE	4/4

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

During the year, major tasks of the Finance Committee included the setting and formulation of high-level financial policies and guidelines; reviews and approval of annual budgets, profit forecasts, financial plans and results, and treasury updates; evaluations of proposals on fund raising, acquisition and disposal of material assets, reduction of gearing ratios, spin-off plans, and making recommendations to the Board on such matters.

RISK ASSESSMENT/ MANAGEMENT

Strategic Planning

A Three-Year Strategic Plan (the “Three-Year Plan”) was formulated in the third quarter of 2009, covering the period of 2010 to 2012. The Three-Year Plan expedites the development of the Company especially in turning the Company into a more project-driven and decentralised organisation.

During the year ended 31 December 2011, strategic action plans were developed, executed, implemented and monitored by relevant executives and management to achieve these medium-term goals and objectives. The Company has also developed balanced scorecards for the Company, projects and departments to strengthen and measure the alignment of individual performance in attaining these goals and objectives. The formulation of the next Three-Year Strategic Plan was also started in the last quarter of 2011.

Resources Planning and Cost Control

During the year ended 31 December 2011, the Company’s main focus on resources planning was the raising

of funds through various means to expedite completion of the maturing projects as well as the taking up of new opportunities. This has been done successfully and enabling the Company to thrive on the chaotic market situation and withstand the economic turbulence period.

The Company continues to focus on managing costs in the short and long run, enhancing of the cost consciousness culture and behaviour of the Company, and reviewing and monitoring the Company’s expenditure.

Enterprise Risk Management

Risk assessments are conducted semi-annually by the Internal Audit Department and presented to the Company’s Executive Committee (“EXCOM”) and the Audit Committee for review. The Company is implementing its continuous and integrated risk assessment and management framework. This enterprise risk management framework includes the introduction of Control and Risk Self-Assessment Process to the Company as an important step. This process enables the Company to change its risk assessment and management process from a punctuated one to a continuous one; to take both a “top down” and “bottom up” approach; and to promote management’s participation in, ownership of and accountability towards their relevant risk assessment and management processes.

The Audit Committee has required management to present a report on risk assessment/management at every Audit Committee meeting.

INTERNAL CONTROL

Internal audit and management conduct reviews of the effectiveness of the Company’s system of internal controls, including those of its subsidiaries and major associates. The Audit Committee reviews the summary report of the

internal auditors on the effectiveness of the Company’s system of internal controls and reports to the Board on such summary results.

The Company is also in the course of updating its detailed internal control documentation and evaluation system in order to cope with the ongoing organisational changes. This comprises an Internal Control System (INCOS) documentation of the Company’s financial and operational processes together with their key controls and weaknesses, and a Grid Rating System that scores the effectiveness of the key controls implemented.

INTERNAL AUDIT

During the year, the Chief Internal Auditor of the Internal Audit Department reports functionally to the Chairman, and has full and free access to the Audit Committee. The internal audit charter allows the internal auditors to have unrestricted access to all functions, records, property and personnel while maintaining appropriate confidentiality in performing their work.

The department helps the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Internal Audit Department operates in a partnership relationship with management, preparing semi-annual audit plans based on a risk assessment methodology and upon agreement with the Company’s EXCOM and the Audit Committee.

The Internal Audit Department issues reports to the Chairman, CEO and relevant management covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit Committee together with the

status of implementation of their recommendations in each Audit Committee meeting.

ETHICAL CORPORATE CULTURE

The Company has in place various policies, including its Code of Conduct and Business Ethics, governing business ethics and best practices. The Company emphasises integrity as an important foundation of its corporate culture and a strategic choice, and leverages it as one of its competitive advantages. New staff have to go through an introduction to ethics in their orientation, and have to join an ethics training session conducted by a member of the Ethics Committee or from senior management upon completion of their probation. In early 2011, more than 40 designated staff were appointed as Ethics Experts of the Company, and underwent appropriate training by the ICAC of Hong Kong. Their mission is to further enhance the ethical awareness and standard of the Company through providing coaching and training to other staff. Training is developed with the assistance from the ICAC of Hong Kong, and four training sessions were delivered to staff during the last quarter of 2011 and early 2012.

Starting from 2011, before the end of each year, all managers and above, together with some selected staff, must complete an ethical e-course. Upon completion they have to make an on-line declaration of their commitment to abide by the Company's Code of Conduct and Business Ethics in all their business dealings on an annual basis.

ANTI-FRAUD MEASURES

An Irregularities Reporting System (a whistle-blowing system) was installed for reporting on violations of the Company's Code of Conduct and Business Ethics as well as complaints about integrity related matters from staff, vendors, customers

and business partners. Telephone hotlines and special e-mail and mail boxes were set up to enable any such complaints to reach the Chairman of the Audit Committee or the Secretary of the Ethics Committee. At each Audit Committee meeting, a summary report of the complaints received and their follow up results are to be tabled for review.

On 25 February 2011, the Ethics Committee further issued an Irregularity Report Policy. This policy clarifies the Company's treatments and procedures on handling potential violations reported, but at the same time tries to avoid abuse by disgruntled employees or ex-employees. It was reviewed and adopted by the Audit Committee on 11 March 2011.

An Incident Reporting Procedure was formulated to enable the systematic, timely and uniform reporting of incidents such as potential fraud to the Chief Financial Officer by personnel involved in internal control activities related to financial and/or automated information systems.

An Anti-fraud Assessment Framework was used to facilitate the annual assessment of risks on potential frauds by individual projects and departments. The results were examined and appropriate control measures were

established to mitigate those risks. The annual results are to be summarised and presented to the Audit Committee for review.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for overseeing the preparation of financial statements of the Company and reviewing the same to ensure that such financial statements give a true and fair view of the state of affairs of the Company and that relevant statutory requirements and applicable accounting standards are complied with.

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company that is put to the Board for approval.

The statement of the external auditors of the Company about their reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on pages 127.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2011 is set out as follows:

Services rendered for the Company	Fee paid/payable (HK\$ 'M)
Audit services:	5.6
Non-audit service:	6.1
Total:	11.7

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. The goal of our communication activities is to provide a true and fair view of the Company. A Shareholders' Communication Policy has been posted on the Company's website in February 2012 and is available to shareholders.

The Company has taken its own initiative to disclose price-sensitive information in a timely manner. Connected and major transactions have to be reviewed and assessed by either the Audit Committee or an independent board of the Board for such purposes before these are submitted to shareholders' meeting for approval and/or public disclosure.

The Company leverages various channels and platforms including its annual and interim results announcements, press conferences and analyst briefings, and various industry conferences to ensure the timely release of important messages. An electronic investors' newsletter is published quarterly to provide more timely and relevant information pertaining to the Company's business development including all its projects. In 2011, a number of "Investors and Analysts Day" were held in Shanghai, Wuhan and Chongqing to further enhance investors' understanding of the development progress of the Company's projects, as well as the

market sentiment in these cities. In addition, investors and analysts are also frequently invited to the Company's marketing and promotional events to gain updated information. These initiatives are all well accepted by the investment community.

Information released by the Company to the Stock Exchange are also posted on the Company's website, www.shuionland.com, which is regularly being updated with corporate developments. Key events regarding financial results, business developments and operations are also announced on a timely basis to investors through our corporate website. Upon free subscription, alert emails on the Company's public announcements, press

releases and investors' newsletters will be sent automatically to registered shareholders and investors. Application forms for requests for site visits and management meetings, and contact persons in the investor relations team can also be found on the Company's website.

To maintain and improve the visibility of the Company in the financial community, the Company held numerous road shows and participated in investor conferences during the year. The management and the investor relations team met hundreds of investors personally, discussing the Company as well as its development and strategies in conference calls and video meetings.

Major Investor Relations Events in 2011/2012

2011	Event
January	DB Access China Conference, Beijing DBS Vickers Pulse of Asia Conference, Singapore Nomura China Property Corporate Day, Hong Kong UBS Greater China Conference, Shanghai
March	2010 Annual Result Global Road Show, Hong Kong, United Kingdom, Amsterdam, the United States
April	2010 Annual Result Global Road Show, Singapore, Beijing, Shanghai BNP Paribas Corporate Day Access, Hong Kong DBS Corporate Day Access, Hong Kong
May	Macquarie Sydney Conference, Sydney CITI Asia Pacific Property Conference, Singapore Macquarie Asia Property Conference, Hong Kong Morgan Stanley HK Summit, Hong Kong The Euromoney RMB Forum, Hong Kong Investor Open Day, Shanghai, Chongqing, Wuhan
June	JP Morgan Conference, Beijing Nomura Corporate Access Day, Singapore Economist Conference, Shanghai Investors & Analysts Day for Shanghai THE HUB Hongqiao Tiandi, Shanghai
August	2011 Interim Result Global Road Show, Hong Kong, Singapore, Europe
September	CLSA Conference, Hong Kong UBS Hong Kong/China Property Conference, Hong Kong
October	HSBC Asian Property Seminar, Hong Kong BNP Paribas 18th Annual China Conference, Qingdao Open day to stock commentators from Hong Kong, Shanghai
November	BoAML Conference, Beijing Barclays Capital Investors Conference, Singapore Asia Pacific Summit by Morgan Stanley, Singapore CLSA Corporate Access Day, Hong Kong
December	RBS Property Corporate Access Day, Hong Kong
2012	Event
January	BNP Paribas Corporate Day Access, Hong Kong Nomura China Property Corporate Day, Hong Kong

The general meetings of the Company provide the best opportunity for the exchange of views between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Audit, Remuneration, Nomination and Finance Committees or, in their absence, other members of the respective committees and, where applicable, the independent board committee, are available to answer questions at the shareholders' meetings. The chairman of the independent board committee is also available to answer questions at any general meeting about approval of a connected transaction or any other transaction that is subject to independent shareholders' approval.

To enhance communications with shareholders in the Company's Annual General Meetings, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Most of the Directors were present at the Annual General Meeting held on 19 May 2011 and the meeting provided a useful forum to exchange views with the Board.

To further enhance and provide more direct communications with the Company's shareholders, a "Networking with Shareholders" session was conducted immediately after the Annual General Meeting. During the session, shareholders were provided with a chance to discuss matters face to face with senior management of the Company. Previous sessions were well attended by shareholders. The meetings included discussion of the latest business initiatives and long-term development strategy of the Company as well as answering shareholders' questions.

The Company continues to enhance communications and relationships with its investors. Designated members of the senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner.

SHAREHOLDER RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of an individual Director.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association.

Poll results are made available by way of an announcement, which is published in accordance with the Listing Rules as soon as possible.

AWARDS RECEIVED

With respect to the financial year ended 31 December 2011, the Company received several awards relating to corporate governance, communications with shareholders and investors, and investor relations. These are shown in the table on this page.

List of Awards to Shui On Land

Time of Award	Name of Award	Presented/Organised by
Corporate Governance Related		
May 2011	2011 TOP 50 Listed Real Estate Developers in China	China Real Estate Appraisal
June 2011	Corporate Governance Asia Recognition Awards 2011 – The Best of Asia 2011	Corporate Governance Asia
September 2011	China Outstanding Enterprises Award 2011	"Hong Kong Economic Digest" Magazine
December 2011	Hong Kong Corporate Governance Excellence Award 2011	The Chamber of Hong Kong Listed Companies
Communications with Shareholders and Investors/Investor Relations Related		
September 2011	Gold Award (Printing & Production – Real Estate Development/Service: Various & Multi-Use Category) Gold Award (Interior Design – Property Category) Silver Award (Cover Photo/Design – Real Estate Development/Service: Various & Multi-Use Category) Bronze Award (Chairman's Letter – Real Estate Development/Service: Various & Multi-Use Category)	ARC Awards 2011
December 2011	Silver Award (Annual Report: Real Estate Holding Co Category)	Galaxy Awards 2011

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but also about promoting and developing an ethical and healthy corporate culture. We are committed to maintaining a high

standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, integrity, accountability, sustainable development and independence. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. We have

also experienced the trust of our shareholders, especially our minority shareholders, noting that they and the investment analyst community have lent the Company full support based on their recognition of our efforts to enhance corporate governance. All views and suggestions from our shareholders to promote our transparency are welcome.

EXHIBIT 1

Functions of the Board and Management

Functions of the Board	
The Board is responsible for:	
1.	determining the overall strategy and approving the annual operating budget of the Company;
2.	reviewing all significant policy matters of the Company, such as dividend policy and any major changes in accounting policy;
3.	monitoring the performance of management to ensure that the business operations are properly planned, authorised and undertaken;
4.	reviewing at least annually the effectiveness of the internal control system of the Company which shall cover all material controls, including financial, operational and compliance controls and risk management functions;
5.	approving the Company's half-year report, annual report and accounts on the basis of any recommendations of the Audit Committee;
6.	approving any material contracts and transactions (including financing transactions) subject to any powers and authorities as may be delegated to management by the Board from time to time;
7.	subject to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), approving transactions in which a connected person (as defined in the Listing Rules) is considered to have a material conflict of interests;
8.	approving any appointment (based on the nomination procedure and the process and criteria as adopted by the Board)/proposal for re-appointment of Directors of the Company, and appointment of the Chairmen and members of the Board's Committees, where appropriate;
9.	considering the recommendations from the Remuneration Committee in respect of (a) the Company's policy and structure for all remuneration of the Directors and senior management and; (b) the remuneration of the Non-Executive Directors; and
10.	exercising all such other powers that may only be exercised by the Board pursuant to The Companies Law (Cayman Islands) or Articles of Association of the Company, the Listing Rules and/or the Hong Kong Codes on Takeovers and Mergers and Share Repurchases.
Functions of the Management	
The Board has delegated the day-to-day operational responsibility for the Company to the management.	

EXHIBIT 2

Division of Responsibilities of Chairman and Chief Executive Officer ("CEO")

Role	Responsibilities
Chairman	<p>The Chairman is responsible for leading the Board in setting the overall strategy and making major development decisions of the Company and monitoring their implementation, to ensure value creation for shareholders. He takes part in cultivating cordial relationship with strategic associates of the Company and creating a favourable environment for the development of the Company's business. As leader of the Board, the Chairman also assesses the development needs of the Board as a whole with a view to build its effectiveness as a team and developing the knowledge and expertise of individual Board members and future leaders of the Company.</p> <ul style="list-style-type: none"> To lead the Board to function as a world class governance body. Develop effective working relationship with the CEO, including providing appropriate counsel and coaching. Build and maintain positive working relationships of the Company with Government at senior level. To act as a spokesperson for the Company on strategic and macro issues as required together with the CEO/CFO. Provide advice to CEO and the senior management team when consulted on macro and strategic issues. Continue to lead in master planning for up to or more than three years. Will not take on executive role in the management of the Company. Working with the CEO, ensure that the Board devotes sufficient energy to building the talent pipeline in the Company.

EXHIBIT 2 (CONTINUED)

Division of Responsibilities of Chairman and Chief Executive Officer (“CEO”)

Role	Responsibilities
CEO	<p>The CEO is responsible for the operations of the Company’s businesses. He develops and works with the managing directors to achieve their business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board, including the building of a strong corporate culture within the Company.</p> <ul style="list-style-type: none"> • Work closely with the Chairman to develop a sound and comprehensive development strategy for the Company and take overall responsibility for its execution and implementation, including undertaking business development activities, negotiating strategic partnerships, strategic resource allocation, acquisition and divestment initiatives. • Detect external changes and take corrective action. • Work effectively with the Chairman to keep the Board informed at all times and seek counsel and appropriate approvals of the Board, have the Board focus on the most important items, and provide critical information in useful form for the Board to digest and provide counsel on. • As CEO of the Company lead in proposing and setting the execution strategies and policies for effective implementation of the Company Board decisions. • Direct company-wide business planning, and ensure Project/Department Heads manage effectively and deliver good results against short and medium term goals and targets set by the Board of Directors. • Ensure the Company maintains financial viability and achieves its financial objectives and that its financial resources are allocated in accordance with set strategy and principles. • Ensure effective leadership development and succession planning for the continued availability of a highly competent and motivated senior management team committed to the goals, objectives and values of the Company. • Contribute towards a positive corporate image and favourable operating environment for the Company through overseeing investor relations, formulating corporate communications strategy, building government relations and ensuring regulatory compliance.

EXHIBIT 3

Duties of the Remuneration Committee

1. The duties of the Remuneration Committee shall include:
<ul style="list-style-type: none"> a. making recommendations to the Board on the Company’s policy and structure for all Directors’ and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy; b. being responsible for determining the specific remuneration packages of all executive Directors and Senior Management and to make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and Senior Management, remuneration levels within the Group* and desirability of performance-based remuneration packages; c. reviewing and approving any remuneration offered by the Group with reference to corporate goals and objectives resolved by the Board from time to time; d. reviewing and approving the compensation payable to executive Directors and Senior Management in connection with any loss or termination of their office or appointment in order to ensure that such compensation is determined in accordance with the relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; e. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; f. ensuring that no Director or any of his associates is involved in deciding his own remuneration; g. advising the Shareholders on how to vote with respect to any service contracts of the Directors that require Shareholders’ approval under the Listing Rules; and h. reviewing the Group’s policy on expense reimbursements for the Directors and Senior Management.
2. In carrying out its duties under these terms of reference, the Remuneration Committee should:
<ul style="list-style-type: none"> a. consult the chairman of the Board and/or the chief executive officer about their proposals relating to the remuneration of the executive Directors; b. provide the packages needed to attract, retain and motivate executive Directors of the quality required, but avoid paying more than is necessary for this purpose; c. judge where to position the Group relative to other companies. They should be aware what comparable companies are paying and should take account of relative performance; d. be sensitive to the wider scene, including pay and employment conditions within the Group and elsewhere, especially when determining annual salary increases; e. ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors and are designed to align their interests with those of Shareholders and to give the Directors incentives to perform at the highest levels; and f. ensure that share options offered by the Company to its Directors or Senior Management (if any) are in accordance with Chapter 17 of the Listing Rules, as applicable.

EXHIBIT 3 (CONTINUED)

Duties of the Remuneration Committee

3. Without prejudice to the generality of the terms of reference to the Remuneration Committee set out above, the Remuneration Committee shall:

- a. operate the Company's share option schemes (if any) or other incentives schemes (if any) as they apply to, and recommend to the general meeting of shareholders grants of options to be made to Directors and/or Senior Management. It shall recommend to the Board the total aggregate amount of any grants to employees (with the specific grants to individuals to be at the discretion of the Board) and make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment);
- b. liaise with the trustee of any employee share scheme which is created by the Company for the benefit of employees, Senior Management or Directors;
- c. review the terms of executive Directors' service contracts from time to time; and
- d. advise the Board in relation to the preparation of the Board's remuneration report (if any) to shareholders.

(* Group means Shui On Land Ltd and its subsidiaries and associated companies at the relevant time.)

EXHIBIT 4

Duties of the Audit Committee

The duties of the Audit Committee shall include:

1. Relationship with the Group's auditors

- a. being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;
- b. reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- c. developing and implementing policy on the engagement of an external auditor to supply non-audit services and reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- d. discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- e. discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Senior Management where necessary).

2. Review of financial information of the Group

- a. monitoring integrity of the Group's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:-
 - i. any changes in accounting policies and practices;
 - ii. major judgmental areas;
 - iii. significant adjustments resulting from audit;
 - iv. the going concern assumptions and any qualifications;
 - v. compliance with accounting standards; and
 - vi. compliance with any requirements from the Stock Exchange and other legal requirements in relation to financial reporting;
- b. in respect of (2.a) above:-
 - i. liaising with the Board and Senior Management;
 - ii. meeting, at least twice a year, with the Group's auditors; and
 - iii. considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Group's qualified accountant, compliance officer or auditors.

EXHIBIT 4 (CONTINUED)

Duties of the Audit Committee

3. Oversight of the Group's financial reporting system and internal control procedures

- a. reviewing the Group's financial controls, internal control and risk management systems;
- b. discussing with Senior Management any matters in relation to the Group's internal control system and ensuring that Senior Management has discharged its duties in establishing and maintaining an effective internal control system;
- c. considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and Senior Management's response to these findings;
- d. where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring the effectiveness of the internal audit function;
- e. reviewing the Group's financial and accounting policies and practices;
- f. reviewing the external auditor's management letter, any material queries raised by the auditor to Senior Management in respect of the accounting records, financial accounts or systems of control and Senior Management's response;
- g. ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- h. reporting to the Board on the matters set out in the terms of reference of the Audit Committee;
- i. reviewing arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- j. acting as the key representative body for overseeing the Group's relationship with the external auditor; and
- k. considering any other topics, as defined by the Board.

4. Corporate Governance Functions

- a. developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;
- b. reviewing and monitoring the training and continuous professional development of Directors and Senior Management;
- c. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- d. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- e. reviewing the Company's compliance with the concurrent CG Code and disclosure in the Corporate Governance Report.

EXHIBIT 5

Duties of the Nomination Committee

The duties of the Nomination Committee shall include:

1. The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding any proposed changes to complement the Company's corporate strategy;
2. The Nomination Committee shall identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of, individuals nominated for directorship;
3. The Nomination Committee shall assess the independence of independent non-executive directors;
4. The Nomination Committee shall make recommendation to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer;
5. Where the Board proposes a resolution to elect an individual as an independent non-executive Director at a general meeting, the Nomination Committee shall set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent; and
6. The Nomination Committee shall exercise such other powers, authorities and discretions, and perform such other duties, of the Directors in relation to the nomination of directors as the Board may from time to time delegate to it, having regard to the concurrent CG Code.