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Shui On Land Limited
瑞安房地產有限公司

Interim Report 2015

二零一五年度中期業績報告

Stock Code 股份代號 : 272



The Most Innovative Property Developer in China

Established in 2004 and listed on The Stock Exchange of Hong Kong (Stock Code: 272) in October 2006, Shui On Land Limited is the Shui On Group's flagship property development company in the Chinese Mainland. Headquartered in Shanghai, Shui On Land has established a solid foundation in the Chinese Mainland and has a proven track record in developing mixed-use, sustainable communities.

Shui On Land develops and operates high-quality residential, office, retail, entertainment and cultural properties in the Chinese Mainland. Shui On Land applies its hallmark approach of master-planning to all projects to ensure that developments are fully consistent with government objectives in economic development and urban planning while simultaneously incorporating local historical and cultural characteristics into our designs and planning. Manifesting the "Total Community" concept, our projects provide a unique environment enabling life enrichment of "Live-Work-Play".

Shui On Land's landbank stood at 12.1 million sq.m. (9.8 million sq.m. of leasable and saleable GFA, and 2.3 million sq.m. of clubhouses, car parking spaces and other facilities). Its eight projects, in various stages of development, are all situated in prime locations within the key cities of Shanghai, Chongqing, Wuhan, Dalian and Foshan.

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CHAIRMAN'S STATEMENT



“We will also continue to reap the rewards of our significant investment in past years. With about RMB60 – 65 billion in saleable residential resources in Shanghai and about RMB30 – 35 billion in other cities coming on stream over the next five years, I am optimistic about our prospects over the medium to long term.”

Vincent H. S. LO
Chairman

In the first half of 2015, we have been focusing on implementing and fine-tuning our business strategy so that we are better positioned to capture growth opportunities in the fast-changing property market.

Along with the slight recovery in China's property market, we began to see gradual improvements in sales momentum, which we expect will be further enhanced during the second half of the year, mainly contributed by the launch of our Rui Hong Xin Cheng and Lakeville landmark projects in Shanghai. The divestment of our 1 and 2 Corporate Avenue projects in Shanghai will also greatly improve our financial capabilities for future growth.

Turnover was RMB2,027 million in the six-month period ended 30 June 2015, representing a decrease of 61% compared with the same period in 2014 due to fewer properties delivered during the period. However, profit attributable to shareholders increased by 50% to RMB1,195 million compared with RMB797 million in the first half of 2014.

A property market in recovery

Over the past few months, we have been seeing a revival in the Chinese Mainland property market, particularly in first-tier cities, as evidenced by the growing number of transactions. In large part, this has been due to the Central Government's initiatives to stimulate the property market in an economy that

is experiencing a slowdown in GDP growth. Among other measures, banks have been encouraged to adopt supportive policies by loosening restrictions on purchases and lowering interest rates.

Nevertheless, we do not anticipate a major hike in property prices as many developers have been releasing unsold stock onto the market. Nor is there likely to be any further relaxation in the property sector as Premier Li Keqiang has vowed to take a more hands-off approach and allow greater decentralisation across China's diverse property markets.

On balance, however, I am confident that we will see more activities in the market during the second half of the year and a further increase in property prices in first-tier cities.

Results of our fine-tuned strategy and structure

Earlier in the year, I decided with the support of the Board to accelerate the process of realising part of our commercial assets to unlock and realise the market value of our commercial property portfolio, which in turn have increased asset turnover, strengthened our balance sheet and put the Group in a better position to capture growth opportunities.

On 23 July 2015, the Group entered into an agreement with The Link Properties Limited to divest 1 and 2 Corporate Avenue in Shanghai at a property value of RMB6,601 million.

The divestment is expected to generate a net profit of approximately RMB2,155 million and a net proceeds of approximately RMB4,284 million upon transaction completion. The transaction will benefit our results for the second half of the year and the funds derived from these sales will strengthen our financial capabilities to help us fuel the future development of the Group.

This, together with the rising trend in our sales growth, leads me to believe that we will reach our sales target of RMB18 billion for the year.

The next six months and beyond

Looking at the next six months, our Rui Hong Xin Cheng and Lakeville projects in Shanghai will be launched for pre-sale. This will be an opportune time for a pre-sale launch as market momentum is starting to pick up. I am confident that the sale of these two projects will provide meaningful returns to the Group.

We will also continue to reap the rewards of our significant investment in past years. With about RMB60 – 65 billion in saleable residential resources in Shanghai and about RMB30 – 35 billion in other cities coming on stream over the next five years, I am optimistic about our prospects over the medium to long term.

While remaining vigilant in the rapidly evolving property market, we will continue to execute our asset light approach and accelerate asset turnover by realising our asset value. We will also look at new ways to fine-tune our property development model in response to the rising cost of land.

In order to replenish our landbank, we are considering partnerships and cooperation with other developers and construction companies for new projects.

Finally, in response to the Government's call for "entrepreneurship and innovation", we are exploring additional opportunities to develop our pioneering Knowledge and Innovation Community concept.

Developments at China Xintiandi

Within the context of our new business model, we are looking into fine-tuning the business model of China Xintiandi. We remain committed to becoming a leading commercial asset manager in China and will continue exploring how Shui On

Land and China Xintiandi can work more closely together to create further synergy for both companies. We recognise, however, that this refinement of our business model will require time to deliver the results we aspire to.

Consequently, we have decided not to limit ourselves to a listing in 2016 as originally anticipated. Instead, we will launch an IPO when it will be more attractive to the investment community and our new business model has stabilised.

A note of thanks

The past six months have vindicated our decision to reorganise our business model as we have begun to see positive signs of a turnaround in our performance. I would like to thank our staff who supported me in this decision and have put renewed energy into achieving better results for the Group. In addition, I would like to extend my appreciation to my fellow Directors and senior management for their continued support and also to our shareholders and business partners for their confidence in us.

On behalf of the Board, I would like to extend my gratitude to Philip Wong, the Executive Director and Managing Director of the Group, who has decided to take early retirement, and to Daniel Wan, the Executive Director, Managing Director and Chief Financial Officer of the Group, who has decided to devote more time to his personal endeavours. I am most thankful for their contributions over the years. Stephanie Lo and Frankie Wong have been appointed to take over the helm at China Xintiandi and Shui On Land, and they will work alongside me in implementing our corporate strategy.

Although our revitalised business model is still in the process of maturing, I am happy to see steady progress being made in all of our reform and change initiatives.



Vincent H. S. LO
Chairman

Hong Kong, 26 August 2015



MANAGEMENT DISCUSSION AND ANALYSIS



Business Review

For the first half of year 2015 (“1H 2015”), the Group’s turnover decreased 61% to RMB2,027 million, compared to RMB5,236 million in the first half of year 2014 (“1H 2014”). Property sales, rental and related income (including income from hotel operations) accounted for RMB951 million and RMB771 million, respectively, or 47% and 38% of total turnover in 1H 2015. RMB273 million of turnover was contributed by the construction business that was newly acquired in 2014. The remaining sum of RMB32 million or 2% was generated from other income. The significant decrease in turnover in 1H 2015 was mainly due to fewer properties delivered during the reporting period compared to 1H 2014.

Gross profit decreased 68% to RMB578 million in 1H 2015 compared to RMB1,811 million in 1H 2014. Gross profit margin decreased 6% points to 29%, because the turnover recognised in 1H 2015 was mainly delivered by Chongqing

and Foshan projects and the newly acquired construction business, which have lower gross profit margins, compared to higher contribution from the higher margin property sales of Shanghai Rui Hong Xin Cheng (“RHXC”) in 1H 2014.

Selling and marketing expenses decreased 33% to RMB69 million in 1H 2015, in line with lower contracted sales in 1H 2015. The amount represented 2.9% of the overall contracted sales (excluding sales by associates and *en-bloc* sales) of RMB2,407 million. General and administrative expenses decreased 22% to RMB425 million in 1H 2015, compared to RMB543 million in 1H 2014.

Contracted property sales (including both residential and commercial property sales) increased 16% to RMB3,263 million in 1H 2015 for a total gross floor area (“GFA”) of 200,720 sq.m., compared to RMB2,819 million for a total GFA of 131,400 sq.m. in 1H 2014. Average selling price (“ASP”) dropped due to change of product mix and city mix.



Subsequent to the end of 1H 2015, on 23 July 2015, the Group had entered into a sale and purchase agreement to dispose of 1 & 2 Corporate Avenue in the Shanghai Taipingqiao project at a property value of RMB6,601 million. The disposal is expected to generate a total net profit of approximately RMB2,155 million for 2015 upon completion of transaction.

In 1H 2015, the Group recorded an increase in fair value in its investment property portfolio, totalling RMB2,797 million. The increase was mainly contributed by the increase in fair value of Shanghai Xintiandi & Xintiandi Style, 1 & 2 Corporate Avenue, 3 Corporate Avenue and Shui On Plaza located in the Shanghai Taipingqiao project, which accounted for a total of RMB2,277 million or 81% of total increase in fair value for 1H 2015. The remaining was mainly contributed by the increase in fair value of the newly completed investment properties located in the Shanghai Knowledge and Innovation Community ("KIC") project. The increase represents 6% of the total carrying value of the Group's completed investment properties and investment properties under development at valuation as of

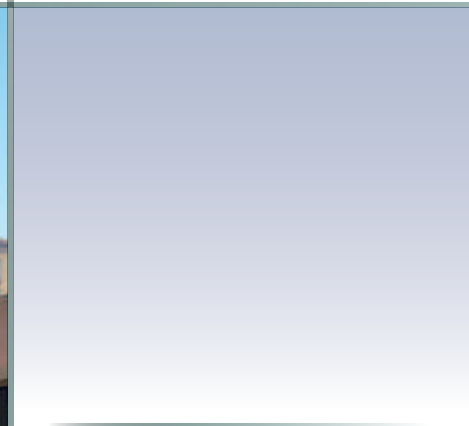
30 June 2015. A total leasable and saleable GFA of 1,711,000 sq.m. of investment properties held by the Group was carried at valuation, accounting for 17% of the total landbank of the Group as of 30 June 2015.

Profit for the period increased 39% to RMB1,535 million in 1H 2015, compared to RMB1,105 million in 1H 2014. Profit attributable to shareholders increased 50% to RMB1,195 million in 1H 2015 compared to RMB797 million in 1H 2014.

As of 30 June 2015, the Group held a total of RMB5,495 million in locked-in sales (including those of Dalian associates), comprising a total GFA of 340,400 sq.m., slated for delivery to customers in the second half of year 2015 ("2H 2015") and beyond.

As of 30 June 2015, the Group invested a total of RMB12.1 billion of capital into relocation of sites in the Shanghai Taipingqiao Lot 118 and RHXC Lots 1, 7 and 10 for a total GFA of 658,000 sq.m. under relocation.

MANAGEMENT DISCUSSION AND ANALYSIS



PROPERTY SALES

The divestment of 1 and 2 Corporate Avenue in Shanghai in July this year together with the rising trend in our sales growth, leads us to believe that we will reach our sales target of RMB18 billion for the year.



Property Sales

Recognised Property Sales

Recognised property sales decreased 79% to RMB951 million for a total GFA of 53,000 sq.m., compared to RMB4,447 million for a total GFA of 118,000 sq.m. in 1H 2014. The decrease was due to fewer properties delivered during the reporting period, as compared to 1H 2014. Properties sales delivered from Shanghai RHXC decreased to RMB134 million for the period under review compared to RMB3,887 million in 1H 2014. Properties delivered from the Wuhan, Chongqing and Foshan projects increased to RMB735 million compared to RMB550 million in 1H 2014.

In addition to the RMB951 million of property sales including car parks recognised as turnover, RMB143 million of property sales was recognised as turnover of associate companies,

RMB910 million was recognised as disposal of hotel properties and RMB40 million was recognised as disposal of investment properties.

The Group's recognised ASP was recorded at RMB19,000 per sq.m. in 1H 2015, compared to RMB39,900 per sq.m. in 1H 2014. The decrease was mainly due to a change of project and city mix contribution. In 1H 2015, fewer Shanghai properties of higher ASPs were delivered compared to 1H 2014.

ASPs for Shanghai RHXC residential and KIC office increased 15% and 23% respectively. ASPs in Chongqing, Foshan and Dalian decreased due to a change in product mix and competitive market conditions.

The table below summarises by project the recognised sales (stated after the deduction of business tax of 5% and other surcharges/taxes) for 1H 2015 and 1H 2014:

Project	1H 2015			1H 2014			ASP Growth rate
	Sales revenue	GFA sold	ASP	Sales revenue	GFA sold	ASP	
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.	
THE HUB	910	45,000	21,400	–	–	–	–
Shanghai RHXC	101	2,000	53,500	3,883	88,100	46,700	15%
Shanghai KIC							
Small Office	3	100	31,800	44	1,800	25,900	23%
Grade A Office	43	1,500	30,400	–	–	–	–
Residential	8	200	42,400	2	100	21,200	100%
Wuhan Tiandi							
Site B Retail	13	300	45,900	–	–	–	–
Chongqing Tiandi							
Residential ¹	331	35,200	12,100	164	15,400	13,800	(12%)
Retail & Office	54	2,500	22,900	38	1,000	40,300	(43%)
Foshan Lingnan Tiandi							
Townhouses	118	4,800	26,100	75	2,100	37,900	(31%)
Low-/mid-/high-rises	106	7,900	14,200	195	12,200	17,000	(16%)
Retail	36	500	76,400	8	100	84,900	(10%)
Subtotal	1,723	100,000	18,300	4,409	120,800	38,700	(53%)
Carparks and others	178	–	–	120	–	–	–
Dalian Tiandi							
Mid-/high-rises	127	14,400	9,400	398	38,600	10,900	(14%)
Villa	16	1,300	13,100	23	1,300	18,800	(30%)
Total	2,044	115,700	18,700	4,950	160,700	32,600	(43%)
Recognised as:							
– property sales in turnover of the Group ²	951	53,000	19,000	4,447	118,000	39,900	(52%)
– disposal of investment properties ²	40	2,000	21,200	82	2,800	31,000	(32%)
– disposal of hotel properties	910	45,000	21,400	–	–	–	–
– turnover of associates	143	15,700	9,700	421	39,900	11,200	(13%)
Total	2,044	115,700	18,700	4,950	160,700	32,600	(43%)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted Property Sales

In 1H 2015, contracted property sales from residential properties and carparks, including those from Dalian associates, amounted to RMB2,535 million, a decrease of 7% from RMB2,718 million in 1H 2014. A total GFA of 169,370 sq.m. was sold and presold, representing an increase of 32% compared to 128,300 sq.m. in 1H 2014.

Residential property sales in Wuhan increased 58% to RMB975 million, Chongqing increased 52% to RMB741 million, Foshan increased 103% to RMB379 million, and Dalian increased 24% to RMB265 million, respectively, compared to 1H 2014. A change in project contribution and product mix resulted in a 29% decrease in ASP to RMB15,000 per sq.m.. Shanghai RHXC's ASP increased 5% to RMB57,100 per sq.m. in 1H 2015, compared to RMB54,500 per sq.m. in 1H 2014. The ASP for Wuhan Tiandi residential increased 38% to

RMB32,600 per sq.m. The lower ASPs at Chongqing Tiandi, Foshan Lingnan Tiandi and Dalian Tiandi were mainly due to differences in the view and location of the properties sold, as well as competitive market conditions.

In 1H 2015, commercial property sales recorded at RMB728 million, in which RMB625 million was contributed by Shanghai KIC project and the remaining was mainly retail shops located in Wuhan, Chongqing and Foshan.

Subsequent to the end of 1H 2015, on 23 July 2015, the Group had entered into a sale and purchase agreement to dispose of 1 & 2 Corporate Avenue at a property value of RMB6,601 million for a total GFA of 83,200 sq.m. and 226 units of carpark. The disposal is expected to generate a total net profit of approximately RMB2,155 million for 2015 upon transaction completion.

The table below provides an analysis of contracted sales by project (stated before the deduction of business tax of 5% and other surcharges/taxes) for 1H 2015 and 1H 2014:

Project	1H 2015			1H 2014			ASP Growth rate
	Contracted amount	GFA sold	ASP	Contracted amount	GFA sold	ASP	
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.	
Residential property sales:							
Shanghai RHXC	4	70	57,100	1,129	20,700	54,500	5%
Wuhan Tiandi							
Site B	975	29,900	32,600	616	26,000	23,700	38%
Chongqing Tiandi ¹	741	81,700	11,100	488	49,600	12,000	(8%)
Foshan Lingnan Tiandi							
Townhouses	55	2,300	23,900	–	–	–	–
Low-/mid-/high-rises	237	18,500	12,800	129	8,200	15,700	(18%)
High-rises (Bare shell)	87	8,500	10,200	58	5,800	10,000	2%
Subtotal	2,099	140,970	14,900	2,420	110,300	21,900	(32%)
Dalian Tiandi							
Villas	18	1,500	12,000	17	1,000	17,000	(29%)
Mid-/high-rises	237	26,900	8,800	189	17,000	11,100	(21%)
Carparks and others	181	–	–	92	–	–	–
Subtotal for residential property sales	2,535	169,370	15,000	2,718	128,300	21,200	(29%)
Commercial property sales:							
Shanghai KIC							
1-2 KIC Corporate Avenue (<i>en-bloc</i>)	601	22,800	26,400	–	–	–	–
Office	24	760	31,600	31	1,300	23,800	33%
Wuhan Tiandi							
Site B Retail	14	290	48,300	–	–	–	–
Chongqing Tiandi							
Retail	48	1,700	28,200	48	1,500	32,000	(12%)
Foshan Lingnan Tiandi							
Retail	–	–	–	22	300	73,300	–
Kindergarten	41	5,800	7,100	–	–	–	–
Subtotal for commercial property sales	728	31,350	23,200	101	3,100	32,600	(29%)
Grand total	3,263	200,720	16,300	2,819	131,400	21,500	(24%)

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

Residential GFA Available for Sale and Pre-sale in 2H 2015

The Group has approximately 546,000 sq.m. of residential GFA spanning six projects, available for sale and pre-sale during 2H 2015, as summarised below:

Project Name	Phase Name	Available for sale and pre-sale in 2H 2015	
		Completed	Under Construction
		GFA in sq.m.	GFA in sq.m.
Shanghai Taipingqiao Shanghai RHXC	Lakevillelux (High-rises)	–	46,700
	The View (High-rises)	200	–
Wuhan Tiandi	Residential Phase 6 (High-rises)	–	86,000
	Wuhan Tiandi LA RIVA (Low-/mid-/high-rises)	–	38,300
Chongqing Tiandi	Wuhan Tiandi PARK VIEW (High-rises)	–	42,000
	The Riviera IV – VI (Low-/mid-/high-rises)	12,700	112,500
Foshan Lingnan Tiandi	The Regency Phase 2 and Lingnan Tiandi • Park Royale (High-rises)	21,700	–
	The Legendary Phases 1-2 (Townhouses)	3,300	–
Dalian Tiandi	Lingnan Tiandi • The Imperial (Low-rises) and Lingnan Tiandi • The Metropolis (High-rises)	11,800	47,800
	Huangnichuan (Mid-/high-rises)	200	77,100
	Huangnichuan (Villas)	11,700	–
	Hekou Bay (Mid-/high-rises)	4,000	30,000
Total		65,600	480,400

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

Investment Property Business

Rental and related income from investment property portfolio increased 20% to RMB736 million in 1H 2015 compared to RMB614 million in 1H 2014. Income from hotel operations decreased to RMB35 million for the period under review compared to RMB150 million in 1H 2014 due to the disposal of Shanghai Langham Xintiandi Hotel in the fourth quarter of 2014. Rental income and the related profit or loss from investment properties located in Dalian Tiandi were recorded in the share of results of associates.

The table below provides an analysis of the rental and related income from investment properties for 1H 2015, 1H 2014 and 1H 2013 and the percentage of leases in GFA by property that are scheduled to expire from 2H 2015 to 2017:

Project	Product	Leasable GFA sq.m.	Rental & related income RMB' million			Period on period change %		Leases expire in % of GFA		
			1H 2015	1H 2014	1H 2013	1H 2015	1H 2014	2H 2015	2016	2017
China Xintiandi Property Portfolio ("CXTD Property Portfolio") in co-operation with Brookfield										
Shanghai Taipingqiao										
Shanghai Xintiandi	Offices/ Retail	47,000	148	147	146	1%	1%	13%	27%	16%
Xintiandi Style	Retail	26,000	37	33	33	12%	–	13%	28%	30%
1 & 2 Corporate Avenue	Offices/ Retail	83,000	136	121	120	12%	1%	35%	26%	27%
Shui On Plaza ¹	Offices/ Retail	52,000	70	61	64	15%	(5%)	13%	6%	72%
3 Corporate Avenue	Offices/ Retail	87,000	4	–	–	–	–	0%	0%	0%
THE HUB										
THE HUB. North Towers 1, 2 & 3	Offices/Retail	77,000	73	15	–	387%	–	0%	1%	11%
THE HUB. North Xintiandi	Retail	14,000	3	–	–	–	–	0%	0%	0%
THE HUB. South Mall	Retail	107,000	4	–	–	–	–	0%	0%	0%
THE HUB. South Tower 5	Offices/Retail	17,000	–	–	–	–	–	0%	0%	0%
Subtotal		510,000	475	377	363	26%	4%	15%	15%	28%
Shui On Land Portfolio										
Shanghai Taipingqiao										
Langham Xintiandi Hotel Retail Portion ²	Retail	–	–	7	7	–	–	–	–	–
Shanghai RHXC	Retail	66,000	35	31	29	13%	7%	3%	11%	16%
Shanghai KIC ¹	Offices/ Retail	215,000	115	104	91	11%	14%	19%	25%	18%
Hangzhou Xihu Tiandi ²	Retail	–	–	8	9	–	(11%)	–	–	–
Wuhan Tiandi	Retail	46,000	43	33	27	30%	22%	19%	19%	15%
Chongqing Tiandi	Retail	136,000	22	17	10	29%	70%	3%	4%	3%
Foshan Lingnan Tiandi	Retail	64,000	46	37	32	24%	16%	2%	11%	13%
Subtotal		527,000	261	237	205	10%	16%	11%	16%	13%
Total		1,037,000	736	614	568	20%	8%	13%	15%	20%

1 A total GFA of 2,000 sq.m. in Shui On Plaza was acquired by the Group in 2015. A total GFA of 14,000 sq.m. was occupied as offices by the Group. They are located at Shanghai Shui On Plaza (8,000 sq.m.) and Shanghai KIC (6,000 sq.m.).

2 Hangzhou Xihu Tiandi and Shanghai Langham Xintiandi Hotel Retail Portion were disposed of in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Project	Leasable GFA (sq.m.)			Occupancy rate			Group's interest
	Office	Retail	Total	30 June 2015	31 December 2014	30 June 2014	
Completed before 1H 2015							
CXTD Property Portfolio in co-operation with Brookfield							
Shanghai Taipingqiao							
Shanghai Xintiandi	4,000	43,000	47,000	98%	98%	99%	100.0%
Xintiandi Style	–	26,000	26,000	99%	96%	94%	99.0%
1 & 2 Corporate Avenue	76,000	7,000	83,000	98%	98%	96%	100.0%
Shui On Plaza	32,000	28,000	60,000	98%	100%	97%	80.0% ¹
THE HUB							
THE HUB. North Towers 2 & 3	57,000	1,000	58,000	78%	53%	36%	100.0%
THE HUB. North Tower 1	18,000	1,000	19,000	54%	N/A	N/A	100.0%
THE HUB. North Xintiandi	–	14,000	14,000	32%	N/A	N/A	100.0%
THE HUB. South Mall	–	107,000	107,000	21%	N/A	N/A	100.0%
THE HUB. South Tower 5	16,000	1,000	17,000	0%	N/A	N/A	100.0%
Subtotal	203,000	228,000	431,000				
Shui On Land Portfolio							
Shanghai RHXC							
The Palette 1, 2, 3 and 5	–	47,000	47,000	100%	100%	100%	99.0% ²
Hall of the Stars (Ruihong Tiandi Lot 6)	–	19,000	19,000	79%	N/A	N/A	99.0%
Shanghai KIC							
1, 2, 3 and 10 KIC Plaza (Phase 1)	29,000	21,000	50,000	98%	98%	98%	86.8%
5 – 9 KIC Plaza (Phase 2)	39,000	10,000	49,000	97%	100%	99%	86.8%
KIC Village (R1 and R2)	12,000	11,000	23,000	97%	98%	93%	86.8%
11 – 12 KIC Plaza (C2)	27,000	11,000	38,000	78%	81%	79%	86.8%
5, 6 and 7 KIC Corporate Avenue (Lot 311 Phase 2)	53,000	8,000	61,000	29%	N/A	N/A	99.0%
Wuhan Tiandi							
Wuhan Xintiandi (Lot A4-1)	–	16,000	16,000	94%	91%	89%	100.0%
Wuhan Xintiandi (Lots A4-2 and A4-3)	–	30,000	30,000	96%	97%	89%	100.0%
Chongqing Tiandi							
The Riviera I & II	–	5,000	5,000	88%	94%	85%	99.0%
The Riviera III	–	3,000	3,000	63%	47%	7%	99.0%
Chongqing Tiandi (Lot B3/01)	–	49,000	49,000	76%	67%	72%	99.0%
2 Corporate Avenue Retail (Lot B11-1/02)	–	11,000	11,000	100%	100%	N/A	99.0%
6, 7 and 8 Corporate Avenue Retail (Lots B12-3 & B12-4)	–	68,000	68,000	70%	53%	N/A	99.0%
Foshan Lingnan Tiandi							
Lingnan Tiandi Phase 1 (Lot 1 Phase 1)	–	15,000	15,000	82%	94%	97%	100.0%
Lingnan Tiandi Phase 2 (Lot 1 Phase 2)	–	34,000	34,000	53%	50%	17%	100.0%
Shui On New Plaza (Lot D retail podium)	–	15,000	15,000	2%	2%	2%	100.0%
Dalian Tiandi							
Dalian Tiandi Aspen and Maple Towers (Site D22)	42,000	–	42,000	81%	80%	78%	48.0%
Dalian Tiandi Acacia and Lynwood Towers (Site D14)	52,000	–	52,000	77%	77%	73%	48.0%
Ambow (Training school)	113,000	–	113,000	100%	100%	100%	48.0%
IT Tiandi (D10 Retail)	–	41,000	41,000	55%	56%	52%	48.0%
Subtotal	367,000	414,000	781,000				

¹ An additional GFA of 2,000 sq.m. in Shui On Plaza was acquired by the Group in 2015, in which the Group has an effective interest of 100.0%.

² The Group has 99.0% interest in The Palette 2, 3 & 5 and 100.0% interest in The Palette 1.



The residential projects of Wuhan Tiandi have become the benchmark of high-end residential projects in Wuhan

Project	Leasable GFA (sq.m.)			Occupancy rate			Group's interest
	Office	Retail	Total	30 June 2015	31 December 2014	30 June 2014	
New completion in 1H 2015							
CXTD Property Portfolio in co-operation with Brookfield							
Shanghai Taipingqiao							
3 Corporate Avenue	56,000	31,000	87,000	14%	N/A	N/A	99.0%
Subtotal	56,000	31,000	87,000				
Total leasable GFA	626,000	673,000	1,299,000				
Investment properties held by:							
– Subsidiaries of the Group	419,000	632,000	1,051,000				
– Associated companies	207,000	41,000	248,000				
As of 30 June 2015	626,000	673,000	1,299,000				
As of 31 December 2014	514,000	635,000	1,149,000				

Note: Self-use properties are classified as property, plant and equipment in the consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS



CHINA XINTIANDI

China Xintiandi remains committed to becoming a leading commercial asset manager in China and will continue exploring how Shui On Land and China Xintiandi can work more closely together to create further synergy for both companies.



CXTD Property Portfolio in Co-operation with Brookfield

The CXTD Property Portfolio comprises a total leasable GFA of 539,000 sq.m., of which a total leasable GFA of 518,000 sq.m., representing 96% of the entire portfolio, was completed as of 30 June 2015. The completed properties of the CXTD Property Portfolio comprises Shanghai Xintiandi, Xintiandi Style, 1 & 2 Corporate Avenue, 3 Corporate Avenue and Shui On Plaza in Shanghai Taipingqiao with a total leasable GFA of 303,000 sq.m., and Towers 1, 2, 3 and 5, Xintiandi and the Mall in THE HUB with a total leasable GFA of 215,000 sq.m..

The remaining CXTD Property Portfolio properties under development, comprising THE HOUSE (formerly the 88 Xintiandi Hotel) at Shanghai Taipingqiao, the performance and exhibition centre located at THE HUB, are scheduled to be completed in 2H 2015 with a total leasable GFA of 21,000 sq.m..

Rental and related income from the CXTD Property Portfolio increased 26% to RMB475 million in 1H 2015. The increase was mainly due to additional income contributed by Tower 1, Xintiandi, and the Mall in THE HUB and 3 Corporate Avenue in Shanghai Taipingqiao, which were respectively completed in 2014 and 1H 2015.

Shanghai Taipingqiao

As of 30 June 2015, occupancy rates of office space in Shui On Plaza, Shanghai Xintiandi and 1 & 2 Corporate Avenue remained high at 97%, 100% and 98% respectively. A total leasable GFA of 20,000 sq.m. was newly leased in 1H 2015 with an average rental reversion growth of 6%. 3 Corporate Avenue's office area

was completed in 1H 2015 for a total leasable GFA of 56,000 sq.m. with 75% of the space pre-leased.

The Shanghai Taipingqiao retail portfolio comprised a total leasable GFA of 135,000 sq.m. as of 30 June 2015. THE HOUSE (formerly the 88 Xintiandi Hotel) with 7,000 sq.m. of GFA at Shanghai Xintiandi is under construction and is fully pre-leased. New lease agreements signed during the reporting period for a total leasable GFA of 17,000 sq.m. in the area recorded an average rental reversion growth of 15% compared to the previous tenancy.

Pre-leasing of Hubindao (retail podium of 3 Corporate Avenue), which was newly completed in 1H 2015, received positive market response. Of the completed leasable GFA of 31,000 sq.m. space, 66% received tenant commitment. Hubindao is scheduled to open in late 2015.

THE HUB

The office property portfolio of THE HUB comprises a total leasable GFA of 91,000 sq.m., namely Towers 1, 2, 3 and 5. During the reporting period, THE HUB had 21 new office tenants with lease agreements newly signed for a total leasable GFA of 19,000 sq.m.. These included the China headquarters of Acer, Sherwin Williams, and Messer as well as regional headquarters and branch offices of leading companies of various industries.

Combined occupancy rate of Towers 2 & 3 reached 79% as of 30 June 2015, or 88% when the newly contracted tenants are included. As of 30 June 2015, the occupancy rate of Tower 1 reached 53%.



THE HUB is designed to be a modern international commercial centre

MANAGEMENT DISCUSSION AND ANALYSIS



Night view of Chongqing Tiandi

The completed retail portfolio of THE HUB has a total leasable GFA of 124,000 sq.m., comprising Xintiandi, the Mall and the ancillary retail space at Towers 1, 2, 3 and 5. During the reporting period, 68 new tenants were introduced to THE HUB. As of 30 June 2015, occupancy rate of Xintiandi, the Mall, and the ancillary retail space at Towers 1, 2, 3 and 5 had reached 32%, 21%, and 40% respectively, or 64%, 60%, and 47% when newly committed tenants are included. Many tenants of Xintiandi at THE HUB commenced operations in July 2015, and the Mall is scheduled for a soft opening in September 2015.

Asset Enhancement Initiatives (“AEI”)

During the reporting period, the AEI on shop fronts located in Xintiandi Style along Madang Road, which was completed in 1H 2014, provided satisfactory results. In 1H 2015, Xintiandi Style recorded a 12% growth in rental and related revenue, 30% growth in shoppers’ traffic, and a 27% growth in tenants’ reported sales, when compared to 1H 2014.

The AEI for converting the 88 Xintiandi Hotel in Shanghai Xintiandi into a retail space named THE HOUSE is proceeding well as planned. With a total leasable GFA of 7,000 sq.m., THE HOUSE will feature a variety of tenants including international fashion brands, specialty restaurants and an international membership club. It is fully pre-leased with soft opening scheduled in December 2015.

Shui On Land Investment Property Portfolio

Shui On Land has a total GFA of 527,000 sq.m. of completed investment properties being leased for rental income. The portfolio comprises office and retail properties located at Shanghai RHXC, Shanghai KIC, Wuhan Tiandi, Chongqing Tiandi and Foshan Lingnan Tiandi.

In 1H 2015, total rental and related income generated by the completed investment property portfolio increased 10% to RMB261 million compared to RMB237 million in 1H 2014. The growth was mainly attributable to additional rental and related income contributed by new completions and increase in occupancy of office and retail space located in Shanghai KIC, Wuhan Tiandi and Foshan Lingnan Tiandi, which contributed additional income of RMB11 million, RMB10 million and RMB9 million, respectively in 1H 2015.

Shanghai RHXC had a total leasable GFA of 66,000 sq.m. of completed investment property generating RMB35 million of rental income in 1H 2015. Hall of the Stars (Ruihong Tiandi Lot 6) with a total leasable GFA of 19,000 sq.m. commenced operations in May 2015 and started to contribute rental and related income.

Shanghai KIC had a total leasable GFA of 215,000 sq.m. of completed investment property generating RMB115 million of rental income in 1H 2015, an increase of 11% compared to 1H 2014.

In Wuhan Xintiandi (Lots A4-1, A4-2 and A4-3) which comprises a total leasable GFA of 46,000 sq.m., up to 18% of the total leasable GFA have new lease agreements signed with an average rental reversion growth of 22% compared to the previous tenancy. On 30 April 2015, the Group entered into a sale and purchase agreement with China Xintiandi Holding Company Limited (“CXTD Holding”) to sell the Wuhan Xintiandi at RMB1,505 million. The transaction was completed on 10 July 2015.

HORIZON (Lots A1/A2/A3 shopping mall) with a total leasable GFA of 111,000 sq.m. is scheduled to have its soft opening in 2H 2016. 47% of the total leasable area received tenant commitment.

The retail space of 6, 7 and 8 Corporate Avenue in Chongqing Tiandi commenced operations in April 2015. Occupancy rate of the mall reached 70%, or 79% when committed tenants are included.

In Foshan, new lease agreements signed amounted to 18% of the total leasable area in Foshan Lingnan Tiandi with an average rental reversion growth of 38% compared to the previous tenancy. Pre-leasing of NOVA (Lot E shopping mall) to tenants has reached 37% of the total leasable area.

Valuation of the investment property portfolio

The carrying value of the completed investment properties (excluding hotels and self-use properties) with a total GFA of 1,037,000 sq.m., was RMB42,912 million as of 30 June 2015. Of this sum, RMB2,701 million (representing 6% of the carrying value) arose from increased fair value during 1H 2015. The increase was mainly contributed by the increase in fair value of Shanghai Xintiandi & Xintiandi Style, 1 & 2 Corporate

Avenue, 3 Corporate Avenue and Shui On Plaza located in the Shanghai Taipingqiao project, which accounted for a total of RMB2,277 million or 81% of total increase in fair value for 1H 2015. The remaining was mainly contributed by the increase in fair value of the newly completed investment properties located in KIC project. The properties located in Shanghai, Wuhan, Chongqing and Foshan, contributed 87%, 4%, 4% and 5% of the carrying value respectively.

The carrying value of the investment properties under development at valuation for a total GFA of 674,000 sq.m. was RMB7,882 million as of 30 June 2015. Of this sum, RMB96 million (representing 1% of the carrying value) arose from increased fair value during 1H 2015. Except for the super-high-rise office buildings in Chongqing Tiandi, the rest of the portfolio was planned for progressive completion from 2015 to 2017.

Except for the above mentioned investment properties at valuation, the carrying value of the remaining commercial-use landbank was stated at cost of RMB13,734 million.

The table below summarises the carrying value of the investment properties at valuation as of 30 June 2015 together with the change in fair value for 1H 2015:

Project	Leasable GFA	Increase/ (decrease)	Carrying value as of 30 June 2015	Carrying value per GFA	Valuation gain/(loss) to carrying value
		in fair value for 1H 2015			
	sq.m.	RMB' million	RMB' million	RMB per sq.m.	%
Completed investment properties at valuation					
CXTD Property Portfolio in co-operation with Brookfield					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	73,000	139	6,236	85,400	2%
1 & 2 Corporate Avenue	83,000	1,644	6,449	77,700	25%
3 Corporate Avenue	87,000	313	5,391	62,000	6%
Shui On Plaza ¹	52,000	181	3,299	63,400	5%
THE HUB	215,000	10	7,993	37,200	-
Subtotal	510,000	2,287	29,368	57,600	8%
Shui On Land Portfolio					
Shanghai RHXC	66,000	44	1,767	26,800	2%
Shanghai KIC	215,000	418	6,394	29,700	7%
Wuhan Tiandi	46,000	36	1,541	33,500	2%
Chongqing Tiandi	136,000	(91)	1,818	13,400	(5%)
Foshan Lingnan Tiandi	64,000	7	2,024	31,600	-
Subtotal	527,000	414	13,544	25,700	3%
Total	1,037,000	2,701²	42,912	41,400	6%
Investment properties under development at valuation					
CXTD Property Portfolio in co-operation with Brookfield					
Shanghai Taipingqiao – THE HOUSE	7,000	4	406	58,000	1%
THE HUB	14,000	30	494	35,300	6%
Subtotal	21,000	34	900	42,900	4%
Shui On Land Portfolio					
Shanghai KIC	5,000	21	89	17,800	24%
Wuhan Tiandi	185,000	12	3,272	17,700	-
Chongqing Tiandi	388,000	(3)	1,872	4,800	-
Foshan Lingnan Tiandi	75,000	32	1,749	23,300	2%
Subtotal	653,000	62	6,982	10,700	1%
Total	674,000	96	7,882	11,700	1%
Total of investment property portfolio at valuation	1,711,000	2,797	50,794	29,700	6%

1 Including the additional 2,000 sq.m. acquired by the Group in 2015.

2 The valuation gain of RMB320 million from investment properties completed in 1H 2015 was recognised during the development stage.

Note: Hotels and self-use properties are classified as property, plant and equipment in the consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Development Progress

Construction work completed in 1H 2015

A total GFA of 132,000 sq.m. of properties, comprising 3 Corporate Avenue at the Shanghai Taipingqiao project and the hotel at THE HUB which accounted for 87,000 sq.m. and 45,000 sq.m., respectively, were completed in 1H 2015.

Properties completed in 1H 2015 and Development Plan for 2H 2015 and 2016

The table below summarises the projects with construction work completed in 1H 2015 and construction work that are planned for completion in 2H 2015 and 2016:

Project	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Subtotal sq.m.	Clubhouse, carpark and other facilities sq.m.	Total sq.m.
Delivered in 1H 2015							
Shanghai Taipingqiao	–	56,000	31,000	–	87,000	32,000	119,000
THE HUB	–	–	–	45,000	45,000	1,000	46,000
Total	–	56,000	31,000	45,000	132,000	33,000	165,000
Planned for delivery in 2H 2015							
Shanghai Taipingqiao	–	–	7,000	–	7,000	–	7,000
Shanghai KIC	–	5,000	–	23,000	28,000	–	28,000
THE HUB	–	11,000	3,000	–	14,000	2,000	16,000
Wuhan Tiandi	–	101,000	111,000	–	212,000	123,000	335,000
Chongqing Tiandi	70,000	–	7,000	–	77,000	21,000	98,000
Foshan Lingnan Tiandi	97,000	15,000	91,000	–	203,000	77,000	280,000
Dalian Tiandi ¹	19,000	–	–	–	19,000	–	19,000
Total	186,000	132,000	219,000	23,000	560,000	223,000	783,000
Planned for delivery in 2016							
Shanghai RHXC	193,000	–	66,000	17,000	276,000	97,000	373,000
Wuhan Tiandi	88,000	–	–	–	88,000	25,000	113,000
Chongqing Tiandi	134,000	14,000	15,000	–	163,000	60,000	223,000
Foshan Lingnan Tiandi	–	–	5,000	–	5,000	–	5,000
Dalian Tiandi ¹	87,000	–	14,000	–	101,000	31,000	132,000
Total	502,000	14,000	100,000	17,000	633,000	213,000	846,000

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

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

The following section provides further details of the development progress and completion of each of the projects located in Shanghai, Wuhan, Chongqing, Foshan and Dalian

Shanghai Taipingqiao

Comprising a total GFA of 87,000 sq.m. and completed in 1H 2015, 3 Corporate Avenue comprises a Grade A office building with a GFA of 56,000 sq.m. and a high-end shopping mall offering 31,000 sq.m. of retail space. Construction work on Lakevillelux (Lot 116), residential phase 4, with a total GFA of 89,000 sq.m. commenced in the second half of 2014 ("2H 2014"). A total GFA of 47,000 sq.m. is scheduled to be launched for pre-sale in late 2015. Construction is scheduled to be completed progressively from the first half of 2017.

Shanghai RHXC

The construction work of Lots 2 and 9, with a total GFA of 196,000 sq.m., commenced in 2H 2014. Lots 2 and 9 are planned to be developed into high-end residential apartments with ancillary retail space. Lot 9, with the first batch of a total GFA of 39,000 sq.m., is scheduled to be launched for pre-sale in 2H 2015. The remaining residential apartments in Lot 9 and Lot 2 are scheduled to be launched for pre-sales starting from the first half of 2016. Construction is scheduled to be completed in late 2016.

Hall of the Stars (Ruihong Tiandi Lot 6), with a total GFA of 19,000 sq.m., commenced operations in 1H 2015. The property is held as investment property.

Hall of the Moon (Ruihong Tiandi Lot 3), which has a total GFA of 80,000 sq.m., is currently under construction and is planned for completion in 2016. It is scheduled to commence operations in 2016.

Shanghai KIC

1-2 KIC Corporate Avenue for a total GFA of 22,800 sq.m. of office space was *en-bloc* sold for a consideration of RMB601 million. A hotel with a total GFA of 23,000 sq.m. and office space with a GFA of 5,000 sq.m. are scheduled for completion in 2H 2015.

THE HUB

A 5-Star hotel comprising 45,000 sq.m. was completed and delivered in 1H 2015. The hotel was sold for a consideration of RMB965 million in 2014. The performance and exhibition centre with a total GFA of 14,000 sq.m. is under construction and is scheduled for completion in 2H 2015.

Wuhan Tiandi

Construction work for the residential development at Wuhan Tiandi LA RIVA (Lot B14), which has a total GFA of 88,000 sq.m., commenced in 1H 2014. It was launched for sale from 2H 2014 to 2015 and is planned for completion in 2016.

Construction work for the residential development at Wuhan Tiandi PARK VIEW (Lot B5), which has a total GFA of 42,000 sq.m., commenced in 1H 2015. It is scheduled to be launched for presale in 2H 2015. Construction is scheduled to be completed in late 2017.

Construction of retail podium in Lots B4/5, which has a total GFA of 74,000 sq.m., also commenced in 1H 2015 and is scheduled for completion in late 2017.

Construction of HORIZON, the shopping mall at Lots A1/A2/A3 is in progress with a total GFA of 111,000 sq.m. of shopping space. Completion is expected to be in 2H 2015. Corporate Centre 2, comprising a total GFA of 44,000 sq.m. located at Lot A2, is currently under construction. The building was sold for a total consideration of RMB939 million in December 2014. It is scheduled to be delivered to the buyer in 2H 2015. Corporate Centre 3 in Lot A3, with a total GFA of 57,000 sq.m. for office use, is under construction and is scheduled for completion in 2H 2015.

Chongqing Tiandi

The Riviera VI and VII, with an aggregated GFA of 240,000 sq.m., are currently under construction and are scheduled for completion progressively from 2H 2015 to 2016.

Foshan Lingnan Tiandi

Development work for a total GFA of 113,000 sq.m. at Lingnan Tiandi • The Metropolis (Lot 18), which is slated for residential use is in progress. The development is scheduled for completion in 2H 2015. A total GFA of 90,000 sq.m. at Lot E for office and retail and a total GFA of 5,000 sq.m. at Lot 1 Phase 3 for retail are under development and will be completed from 2H 2015 to 2016.

Dalian Tiandi

At Huangnichuan (Site C of Dalian Tiandi), a total GFA of 19,000 sq.m. of residential development is scheduled to be completed in 2H 2015 and a total GFA of 137,000 sq.m. for residential properties is under construction and is scheduled for completion from 2016.

At Hekou Bay (Site A of Dalian Tiandi), GFA of 44,000 sq.m. for residential use, 29,000 sq.m. for office space, 15,000 sq.m. for retail space and 13,000 sq.m. for service apartments are under construction. They are planned for completion progressively from 2016 to 2018.

Relocation of Shanghai Taipingqiao and RHXC

The relocation of RHXC Lots 1, 7 and 10 is in progress. 94% of residents in Lots 1, 7 and 10 had signed relocation agreements as of 30 June 2015. The total relocation cost of these three sites is estimated to be RMB11,073 million. As of 30 June 2015, a total of RMB8,912 million had been paid. The estimated outstanding relocation cost of RMB2,161 million is scheduled to be paid progressively in 2H 2015 and beyond. The relocation of these three sites is planned to be completed in 2H 2015. Lots 1 and 7 will be developed into high-end residential apartments and Lot 10 will be developed into a commercial complex with two Grade-A office buildings and a shopping mall.

The relocation of Taipingqiao Lot 118 started in the fourth quarter of 2014 and 95% of residents had signed relocation agreement as of 30 June 2015. As of 30 June 2015, relocation cost of RMB3,200 million had been paid. Lot 118 will be developed into high-end residential apartments.

Relocation plans and the timetable for the remaining 416,000 sq.m. and 230,000 sq.m. of GFA located at Shanghai Taipingqiao and RHXC, respectively, have yet to be determined. The relocation plans of these sites are subject to the final proposal and agreement terms among relevant parties.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Project	Percentage of relocation as of 30 June 2015	Leasable and saleable GFA	Relocation cost paid as of 30 June 2015	Estimated outstanding relocation cost as of 30 June 2015	Actual/ Estimated relocation completion year
		sq.m.	RMB' million	RMB' million	
RHXC Lot 10	94%	308,000	2,328	602	Late 2015
RHXC Lot 1 (Residential)	94%	110,000	3,292	772	Late 2015
RHXC Lot 7 (Residential)	94%	160,000	3,292	787	Late 2015
Taipingqiao Lot 118 (Phase 5 Residential)	95%	578,000 80,000	8,912 3,200	2,161 1,000	2016
Total		658,000	12,112	3,161	

Landbank

As of 30 June 2015, the Group's landbank, including the contribution of its Dalian associates, stood at a GFA of 12.1 million sq.m., comprising 9.8 million sq.m. of leasable and saleable area, and 2.3 million sq.m. for clubhouses, car parking spaces and other facilities. The landbank properties are spread across eight development projects located in the prime areas of five major PRC cities: Shanghai, Wuhan, Chongqing, Foshan and Dalian.

Of the total leasable and saleable GFA of 9.8 million sq.m., the sum of 1.6 million sq.m. was developed, and held for sale and/or investment. Approximately 3.8 million sq.m. are under development, and the remaining 4.4 million sq.m. are held for future development.

Only two major Group projects, namely Shanghai Taipingqiao and Shanghai RHXC, are still subject to relocation. They are city re-development projects acquired in the mid-1990s, before the implementation of the public land auction system in China during the early 2000s.

Relocation is underway on a total leasable and saleable GFA of 658,000 sq.m., as described in the previous section. Relocations at these sites are planned for completion between 2015 and 2016.

Relocation plans and the timetable for the remaining 646,000 sq.m. of GFA located at Shanghai Taipingqiao and RHXC have yet to be determined. The relocation plans for these sites are subject to the final proposal and agreement terms among relevant parties.



The main structure of the Performance Centre of THE HUB has been completed



KIC creates an environment to foster entrepreneurship and technology innovation

The Group's total landbank as of 30 June 2015, including that of its associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA				Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
	Residential	Office	Retail	Hotel/ serviced apartments				
	sq.m.	sq.m.	sq.m.	sq.m.				
Completed properties:								
Shanghai Taipingqiao	–	168,000	135,000	–	303,000	108,000	411,000	99.0% ¹
Shanghai RHXC	1,000	–	66,000	–	67,000	74,000	141,000	100.0% ²
Shanghai KIC	–	188,000	64,000	–	252,000	157,000	409,000	86.8% ³
THE HUB	–	91,000	124,000	–	215,000	112,000	327,000	100.0%
Wuhan Tiandi	–	–	46,000	–	46,000	25,000	71,000	100.0%
Chongqing Tiandi	62,000	–	140,000	–	202,000	184,000	386,000	99.0%
Foshan Lingnan Tiandi	44,000	–	69,000	43,000	156,000	98,000	254,000	100.0% ⁴
Dalian Tiandi	59,000	207,000	41,000	–	307,000	155,000	462,000	48.0% ⁵
Subtotal	166,000	654,000	685,000	43,000	1,548,000	913,000	2,461,000	
Properties under development:								
Shanghai Taipingqiao	169,000	–	7,000	–	176,000	42,000	218,000	99.0% ¹
Shanghai RHXC	461,000	203,000	173,000	17,000	854,000	103,000	957,000	99.0%
Shanghai KIC	–	5,000	–	23,000	28,000	2,000	30,000	86.8% ³
THE HUB	–	11,000	3,000	–	14,000	2,000	16,000	100.0%
Wuhan Tiandi	130,000	236,000	185,000	45,000	596,000	225,000	821,000	100.0%
Chongqing Tiandi	456,000	291,000	158,000	25,000	930,000	316,000	1,246,000	99.0%
Foshan Lingnan Tiandi	97,000	15,000	98,000	–	210,000	79,000	289,000	100.0%
Dalian Tiandi	488,000	206,000	189,000	143,000	1,026,000	320,000	1,346,000	48.0% ⁵
Subtotal	1,801,000	967,000	813,000	253,000	3,834,000	1,089,000	4,923,000	
Properties for future development:								
Shanghai Taipingqiao	86,000	174,000	118,000	38,000	416,000	44,000	460,000	99.0%
Shanghai RHXC	83,000	69,000	78,000	–	230,000	2,000	232,000	100.0%
Wuhan Tiandi	243,000	166,000	91,000	7,000	507,000	4,000	511,000	100.0%
Chongqing Tiandi	315,000	143,000	160,000	50,000	668,000	211,000	879,000	99.0%
Foshan Lingnan Tiandi	377,000	450,000	125,000	80,000	1,032,000	10,000	1,042,000	100.0%
Dalian Tiandi ⁶	394,000	867,000	262,000	42,000	1,565,000	–	1,565,000	48.0%
Subtotal	1,498,000	1,869,000	834,000	217,000	4,418,000	271,000	4,689,000	
Total landbank GFA	3,465,000	3,490,000	2,332,000	513,000	9,800,000	2,273,000	12,073,000	

1 The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, 18 2 Corporate Avenue, Lot 116 and Shui On Plaza, in which the Group has an effective interest of 100.0%, 100.0%, 39.9% and 80.0% respectively. The Group acquired an additional GFA of 2,000 sq.m. in Shui On Plaza in 2015 in which the Group has an effective interest of 100.0%.

2 The Group has a 100.0% interest in Phase 1, Lot 167A and Lot 167B of Shanghai RHXC, and a 99.0% interest in all remaining phases.

3 The Group has an 86.8% interest in all remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 99.0%.

4 The Group has a 100.0% interest in Foshan Lingnan Tiandi, except for Lot 6 and Lot 16, in which the Group holds 55.9% effective interest.

5 The Group has a 48.0% interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02A in which the Group has a 33.6% effective interest.

6 Dalian Tiandi is expected to have a landbank of 3.4 million sq.m. in GFA. As of 30 June 2015, approximately 3.1 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. is expected to be acquired through public bidding in due course.

MANAGEMENT DISCUSSION AND ANALYSIS



FORGING AHEAD

While remaining vigilant in the rapidly evolving property market, we will continue to execute our asset light approach and accelerate asset turnover by realising our asset value.





Foshan Lingnan Tiandi blends the traditional culture and modern life

Market Outlook

During the first six months of 2015, global economic growth remained weak and the resumption of another round of Greek debt negotiations threw the Eurozone's economic outlook into question. In the US, the economy slowed unexpectedly in the first quarter, but recent data has reassured the Federal Reserve Board that growth tempo will accelerate to warrant an interest rate hike before the end of the year. In China, GDP growth moderated from 7.4% in 2014 to 7.0% in the first half of 2015. The authorities have eased monetary policy with four rounds of cuts in the bank reserve requirement ratio, and sequential reduction in the benchmark interest rate of 100 basis points so far this year.

After bottoming out in the first quarter, the residential property market in China improved in the second quarter with a modest pick-up in transaction volume. Nationwide housing transactions in the first six months, in terms of area and value, registered a year-on-year increase of 4.5% and 12.9% respectively. Real estate investment increased 3.4% in June after rising 2.4% in May and 0.5% in April.

The current housing market recovery has been mainly led by price rebounds in Tier One and Tier Two cities. In July, 31 out of 70 cities registered month-on-month price increases. This trend, which has been supported by improving market sentiment, is expected to continue into the second half.

On 11 August, the PBOC amended the RMB exchange rate formation mechanism, making it a more market-determined process. The new mechanism is designed to help China transition from a managed system linked to the USD to one that is more flexible and responsive to market conditions. In the short term since then, the RMB has depreciated significantly against the USD and at the same time stock market prices have fallen substantially. This has created an environment of volatility and uncertainty about China's economic prospects. It is too early to say how this may play out over the rest of 2015 and beyond, and the extent to which the property sector may be affected, but, looking forward, the gradual lifting of exchange controls and greater flexibility for the RMB to fluctuate based on market forces as well as correction of short-term over-valuation, may be viewed as having positive effects in modernizing China's economy.

The outlook for the office market in Tier One cities remained stable, underpinned by China's on-going financial sector reform as well as a more balanced demand-supply situation. According to a JLL survey, domestic companies continued to demonstrate strong demand in the CBD leasing market in Shanghai, where MNCs in the professional services and retailing sectors have also been active. Looking ahead, the emphasis on an "entrepreneurship and innovation" growth strategy by Premier Li Keqiang will stimulate job creation and become one of the driving forces for the office market.

MANAGEMENT DISCUSSION AND ANALYSIS

In the retail property sector, the nationwide retail vacancy rate continued to decline with occupiers' demand for space remaining strong in the first half of 2015. In addition, price cuts by a number of luxury brands, coupled with an import tariff reduction on a variety of consumer goods which comes into effect from 1 June, should drive up domestic consumption demand.

Shanghai registered 7.0% economic growth in the first half of 2015, with contribution from the tertiary sector rising from 64.8% in 2014 to 67.1%. The economy benefited from a boom in financial services following the commencement of the Shanghai-Hong Kong Stock Connect programme. On 25 May the municipal government issued 22 policy measures to facilitate Shanghai's newly designated role to become a technological innovation centre with global impact. These measures include initiatives to attract and retain talented professionals from home and abroad, such as simplifying application procedures for work permits and relaxation of residence permit requirements for non-local residents. In July, the municipal government also eased the home purchase restriction policy for qualified professionals. All of these initiatives help to build human capital for innovation and will benefit future development of the property sector.

Despite a slowing national economy, Chongqing achieved a GDP growth rate of 11.0% in the first half of 2015, which was 0.3% higher than the first quarter of the year, making it one of the top performers in China. Chongqing is on track to become a more export-oriented economy under China's new One Belt One Road strategy. In the first half of 2015, contributions to Chongqing's economy were 4.4% from the primary sector; 45.9% from the secondary sector; and 49.7% from the tertiary sector, which continued to assume a rising role. Total foreign trade volume reached RMB261.5 billion in the first half of 2015, ranking Chongqing first in central-western China and making it the leading economic hub of western China.

Wuhan's economic growth remained strong at 8.7% in the first half of 2015, as the city continued to upgrade its economic and service infrastructure. In addition to implementing the Yangtze River Golden Waterway strategy, Wuhan intends to take advantage of its strengths in human resources, science and technology to transform the city into a centre of innovation by 2020. The government has formulated a policy that encourages university students to stay and work in Wuhan after graduation. Removal of home purchase restrictions has significantly lifted the housing market. Residential transaction



IT Tiandi at Dalian Tiandi provides a world-class experience of life



Wuhan Tiandi has matured with a mix of commercial, office and residential elements



KIC is committed to becoming an innovative knowledge hub

volume in the central area of Wuhan saw a 63.9% y-o-y increase to 7.1 million sq.m. in the first half of 2015. The inventory absorption period was reduced rapidly to 10.6 months as of the end of June.

Foshan's economy maintained steady growth of 8.0% in the first half of 2015. In May 2015, the Foshan government issued its Internet Plus action plan to integrate mobile internet, cloud computing and big data, as well as encourage entrepreneurship and innovation. The government targets to build 10 Internet+ business parks or incubators by 2017, aiming to become China's pilot innovation zone. The authorities have also proposed investing RMB250 million within five years to upgrade Foshan University and build a first-class engineering school. After home purchase restrictions were lifted on 1 May 2015, transaction volume in the Foshan residential property market rebounded strongly during May and June 2015.

Dalian's economy has been affected by the slowdown in the north-eastern region. Economic growth fell sharply during the first half of 2015 to 3.5%. As a response, the government moved to speed up infrastructure investment including the construction of metro line 2. In the second quarter of 2015, a series of national

support policies were also issued to stimulate the residential market. Dalian's residential market transactions increased 8.5% y-o-y to 1.05 million sq.m. in the first half of 2015, while the average sales price rose 3.3% to RMB11,293/sq.m.

The on-going economic reforms, and the events in August 2015 and the resulting uncertainty have weighed on short-term growth, but it is believed that these reforms should over a period facilitate economic restructuring and result in a more robust and sustainable growth model. Following a decade of rapid growth, it is believed China's housing market is entering a more mature stage of development. The development pattern going forward will be divergent and closely tied to individual cities' underlying growth potential. Some cities with a hollow economic base will lose population and experience a slowdown in economic growth. Those cities that are able to innovate and diversify its economic base beyond manufacturing to become a more service-oriented economy will attract population inflow and witness faster land value appreciation. Our business development efforts will be focused on cities that have strong potential to nurture innovation and entrepreneurship as economic growth engines.

MANAGEMENT DISCUSSION AND ANALYSIS



Wuhan Tiandi La Riva: high-end residential project with river view

Financial Review

The Group's *turnover* for the six months ended 30 June 2015 substantially decreased by 61% to RMB2,027 million (2014: RMB5,236 million), mainly due to a significant decrease in recognised property sales, which was partially offset by higher rental and related income and construction income for the period under review.

Property sales for the six months ended 30 June 2015 significantly decreased 79% to RMB951 million (2014: RMB4,447 million) as a result of fewer properties delivered, especially in our Shanghai projects. Properties sales of our Shanghai projects, including Shanghai Rui Hong Xin Cheng ("RHXC"), decreased to a relatively small amount of RMB216 million during the period under review (2014: RMB3,897 million). Properties sales of our Wuhan, Chongqing and Foshan projects increased to RMB735 million (2014: RMB550 million). Total area handed over to owner decreased to 53,000 sq.m. (2014: 118,000 sq.m.). Details of property sales during the six months ended 30 June 2015 are in the paragraph titled "Property Sales" in the Business Review Section.

Income from property investment remained stable at RMB771 million (2014: RMB764 million). *Rental and related income* from investment properties for the six months ended 30 June 2015 increased to RMB736 million (2014: RMB614 million), mainly due to higher rental income from existing completed properties, particularly Shanghai Taipingqiao, Shanghai KIC and Wuhan Tiandi, and also from the completion of new investment properties including THE HUB and Foshan Lingnan Tiandi. *Income from hotel operations* comprises contributions from the two hotels in Shanghai and Foshan. As a result of the disposal of Shanghai Langham Xintiandi Hotel in the fourth

quarter of 2014, income from hotel operations decreased to RMB35 million for the period under review (2014: RMB150 million). Details on the business performance of investment properties are contained in the paragraph titled "Investment Property Business" in the Business Review Section.

Construction income generated by our newly acquired construction business, which started revenue contribution in October 2014, reached RMB273 million for the six months ended 30 June 2015 (2014: Nil).

Gross profit for the six months ended 30 June 2015 significantly decreased by 68% to RMB578 million (2014: RMB1,811 million), while *gross profit margin* also decreased to 29% (2014: 35%). The lower gross profit margin was due to lower margins contributed from Chongqing and Foshan development and the newly acquired construction business, compared with higher contribution from the higher selling price of Shanghai RHXC in 1H 2014.

Other income increased 39% to RMB196 million (2014: RMB141 million), which comprised interest income of RMB182 million (2014: RMB137 million).

Selling and marketing expenses decreased by 33% to RMB69 million (2014: RMB103 million) and was in line with the decrease in contracted sales achieved by the Group (excluding sales by associates and *en-bloc* sales) by 8% to RMB 2,407 million (2014: RMB2,613 million).

General and administrative expenses decreased 22% to RMB425 million (2014: RMB543 million). The decrease was attributable to the elimination of expenses incurred for the establishment of the fully integrated asset management

platform of CXTD Holding, and advisory and consulting costs incurred for the preparation works for its spin-off in 2014.

As a result of the above, *operating profit* decreased 79% to RMB280 million for the six months ended 30 June 2015 (2014: RMB1,306 million).

Increase in fair value of investment properties rose 122% to RMB2,797 million (2014: RMB1,262 million), of which RMB2,381 million (2014: RMB414 million) arised from completed investment properties and RMB416 million (2014: RMB848 million) from investment properties under construction or development. The increase was mainly from Xintiandi & Xintiandi Style, 1 & 2 Corporate Avenue, 3 Corporate Avenue and Shui On Plaza located in the Shanghai Taipingqiao project which accounted for a total RMB2,277 million or 81% of total increase in fair value. The paragraph headed "Investment Property Business" in the Business Review Section offers a detailed description of these properties.

Other gains and losses amounted to a loss of RMB258 million (2014: RMB73 million), of which RMB273 million (2014: RMB144 million) was from rental guarantee arrangements arising from previously sold commercial properties in Chongqing Tiandi.

Share of losses of associates and joint ventures recorded a net loss of RMB18 million for the six months ended 30 June 2015 (2014: RMB90 million), which was accounted for mainly from the Dalian Tiandi development.

Finance costs, inclusive of exchange differences, amounted to RMB563 million (2014: RMB466 million). Total interest costs increased to RMB1,844 million (2014: RMB1,625 million). Of these interest costs, 70% (2014: 85%) or RMB1,284 million (2014: RMB1,385 million) was capitalised as cost of property development, with the remaining 30% (2014: 15%) interest relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. A small exchange gain of RMB10 million was recorded due to the appreciation of RMB against the HKD and the USD for the period under review, compared with an exchange loss of RMB126 million a year ago.

Profit before taxation increased 15% to RMB2,238 million (2014: RMB1,939 million), due to the abovementioned factors.

Taxation decreased 16% to RMB703 million (2014: RMB834 million). The effective tax rate for 2015 was 30% (2014: 33%), after excluding the land appreciation tax of RMB42 million (2014: RMB273 million) which was assessed based on the appreciation value of sold properties together with its corresponding enterprise income tax effect of RMB11 million (2014: RMB68 million). Land appreciation tax was assessed based on the progressive tax rate of the appreciated value of the properties.

Profit attributable to shareholders of the Company for the six months ended 30 June 2015 was RMB1,195 million, an increase of 50% compared to the corresponding period in 2014 (2014: RMB797 million).

Core earnings of the Group are as follows:

	Six months ended 30 June		Change %
	2015 RMB'million	2014 RMB'million	
Profit attributable to shareholders of the Company	1,195	797	50%
Increase in fair value of investment properties	(2,797)	(1,262)	
Effect of corresponding deferred tax charges	699	308	
Cumulative realised fair value gains of investment properties	4,156*	30	
Share of results of associates			
Fair value loss of investment properties	35	14	
Effect of corresponding deferred tax charges	(9)	(4)	
	2,084	(914)	328%
Non-controlling interests	38	123	
Net effect of changes in the valuation of investment properties	2,122	(791)	368%
Profit attributable to shareholders of the Company before revaluation of investment properties	3,317	6	
Add:			
Profit attributable to owners of perpetual capital securities	155	155	–
Profit attributable to owners of convertible perpetual securities	128	92	39%
Profit attributable to owners of convertible perpetual capital securities	8	–	–
Core earnings of the Group	3,608	253	1,326%

* Cumulative realised fair value gains of investment properties for this current period are mainly related to those of which sale and purchase agreement has been entered into for Shanghai Taipingqiao 1 & 2 Corporate Avenue. We expect the sale will be legally completed in August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Earnings per share was RMB0.15, which is calculated based on a weighted average of approximately 8,002 million shares in issue during the six months ended 30 June 2015 (2014: RMB0.10, which is calculated based on a weighted average of approximately 8,002 million shares in issue).

Dividends payable to shareholders of the Company have to comply with certain covenants under the senior notes and perpetual capital securities as follows:

- Dividends payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company's shares) should not exceed 20% of the Company's consolidated profit for the two most recent semi-annual periods prior to payment of the dividend, unless certain conditions pursuant to the terms of the senior notes have been met.
- In the case where the Company opts to defer the payment of coupons to the owners of perpetual capital securities, no dividend payments should be made to the shareholders of the Company unless all coupons deferred have been paid in full.

The Board has resolved to recommend the payment of a 2015 interim dividend of HKD0.022 per share (2014: HKD0.022 per share).

Capital Structure, Gearing Ratio and Funding

In February 2014, the Company and CXTD Holding completed a set of agreements with Brookfield. CXTD Holding issued convertible perpetual securities in an aggregate principal amount of USD500 million to Brookfield. The net proceeds raised was approximately USD480 million, after deducting all related costs and expenses. As at the date of this interim report, the Company has applied all the net proceeds (i) as to approximately USD120 million to repay indebtedness; (ii) as to approximately USD286 million to fund

capital expenditures related to the Company's real estate development and (iii) as to approximately USD74 million for general working capital purposes.

In January and February 2015, the Group had fully settled the outstanding senior notes issued in 2011 and 2012, which amounted to approximately RMB5,275 million.

In May 2015, the Group entered into an en-bloc sales agreement to sell commercial properties at Lot 311 of Shanghai KIC for RMB601 million. The properties are slated for handover in the fourth quarter of 2015.

On 4 June 2015, the Group issued USD225 million 7.5% Convertible Perpetual Capital Securities ("CPCS"). The CPCS can be converted into ordinary shares of the Company at a fixed conversion price of HK\$3.228, subject to customary anti-dilution adjustments. The net proceeds was approximately USD219 million, after deducting all related costs and expenses. As at the date of this interim report, the Company has applied all the net proceeds (i) as to approximately USD150 million to repay indebtedness; (ii) as to approximately USD45 million to fund capital expenditures related to the Company's real estate development and (iii) as to approximately USD24 million for general working capital purposes.

On 23 July 2015, the Group entered into an agreement to sell 1 & 2 Corporate Avenue located in the Taipingqiao project. The agreed cash consideration in accordance with the sale and purchase agreement was RMB6,626 million. The estimated net proceeds was approximately RMB4,284 million, after deducting all related costs, expenses and repayment of bank loans. The transaction is expected to be completed in August 2015. For details, please refer to the circular issued by the Company dated 14 August 2015.

The aforementioned fund raising exercises and investment properties disposal were carried out to improve and maintain the Group's high liquidity profile.

The structure of the Group's borrowings as of 30 June 2015 is summarised below:

	Total (in RMB equivalent) RMB'million	Due within one year RMB'million	Due in more than one year but not exceeding two years RMB'million	Due in more than two years but not exceeding five years RMB'million	Due in more than five years RMB'million
Bank and other borrowings – RMB	22,196	3,854	6,351	11,051	940
Bank borrowings – HKD	7,563	3,018	4,545	–	–
Bank borrowings – USD	4,210	1,669	2,541	–	–
	33,969	8,541	13,437	11,051	940
Convertible bonds – RMB	432	432	–	–	–
Senior notes – RMB	2,532	–	2,532	–	–
Senior notes – USD	11,363	–	–	11,363	–
Total	48,296	8,973	15,969	22,414	940



Rui Hong Xin Cheng is widely recognised by customers

Total cash and bank deposits amounted to RMB7,126 million as of 30 June 2015 (31 December 2014: RMB12,430 million), which included RMB3,433 million (31 December 2014: RMB3,291 million) of deposits pledged to banks and RMB1,390 million (31 December 2014: RMB2,471 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 30 June 2015, the Group's net debt balance was RMB41,170 million (31 December 2014: RMB35,535 million) and its total equity was RMB47,384 million (31 December 2014: RMB44,922 million). The Group's net gearing ratio was 87% as of 30 June 2015 (31 December 2014: 79%), calculated on the basis of the excess of the sum of convertible bonds, senior notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

Total undrawn banking facilities available to the Group amounted to approximately RMB7,756 million as of 30 June 2015 (31 December 2014: RMB6,405 million).

Pledged Assets

As of 30 June 2015, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable and bank and cash balances totalling RMB65,204 million (31 December 2014: RMB56,431 million) to secure the Group's borrowings of RMB29,933 million (31 December 2014: RMB27,070 million).

Capital and Other Development Related Commitments

As of 30 June 2015, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB11,729 million (31 December 2014: RMB13,720 million).

Future Plans for Material Investments and Sources of Funding

In November 2014, the Group entered into a framework agreement with Green Acres B 2014 Limited, a company ultimately owned by a public institution based in the Middle East. The total fund commitment of this framework agreement is USD600 million while the maximum commitment for the Group is USD375 million. The investment strategy will be to develop, own, and operate mid-size, mixed-use knowledge communities with residential and commercial property components in strategic locations characterized by a high concentration of universities, high-tech parks, and/or research and development parks.

Saved as disclosed above, the Group plans to focus on the development of its existing landbank, which encompasses land plots in prime location. As appropriate opportunities arise, the Group may evaluate participation in projects of various sizes wherein its competitive strengths can be advantageous.

MANAGEMENT DISCUSSION AND ANALYSIS



Outlook of Shanghai Taipingqiao

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

The revenue of the Group is denominated in RMB. The convertible bonds and the RMB senior notes issued in 2010 and 2014 are also denominated in RMB. As a result, the coupon payments and repayment of the principal amounts of the convertible bonds and senior notes issued in 2010 and 2014 do not expose the Group to any exchange rate risk.

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes denominated in USD issued in 2014. As a result, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 30 June 2015, the Group has not entered into any currency swaps hedge of RMB against the HKD.

The Group's exposure to interest rate risk results from fluctuations in interest rates. Most of the Group's bank and other borrowings consist of variable rate debt obligations with original maturities ranging from two to six years for project construction loans, and two to fifteen years for mortgage

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

As at 30 June 2015, the Group had various outstanding loans that bear variable interest linked to Hong Kong Inter-bank Borrowing Rates ("HIBOR"), London Inter-bank Borrowing Rates ("LIBOR") and the People's Bank of China ("PBOC") Prescribed Interest Rate. The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interests at variable rates at HIBOR and pay interests at fixed rates ranging from 0.53% to 0.7%; receive interests at variable rates at LIBOR and pay interests at fixed rates ranging from 0.54% to 0.7% and receive interests ranging from 115% to 125% of the PBOC Prescribed Interest Rate and pay interests at a fixed rate of 7.52% and 7.85%, based on the notional amounts of HKD2,028 million, USD350 million and RMB656 million, in aggregate.

As at 30 June 2015, the Group entered into a cross currency swap amounting to RMB2,500 million, which will be due on 26 February 2017. Under this swap, the Group would receive interest at a fixed rate of 6.875% per annum and RMB2,500 million at maturity and pay interest semi-annually at a fixed rate from 5.840% to 5.975% per annum, and USD408 million at maturity.

Save as disclosed above, as of 30 June 2015, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if necessary.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of Shui On Land Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Shui On Land Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 30 to 59, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain 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 these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
Turnover			
– The Company and its subsidiaries (the “Group”)		2,027	5,236
– Share of associates		86	218
		2,113	5,454
Turnover of the Group	3	2,027	5,236
Cost of sales		(1,449)	(3,425)
Gross profit		578	1,811
Other income		196	141
Selling and marketing expenses		(69)	(103)
General and administrative expenses		(425)	(543)
Operating profit	4	280	1,306
Increase in fair value of investment properties	10	2,797	1,262
Other gains and losses	5	(258)	(73)
Share of losses of associates and joint ventures		(18)	(90)
Finance costs, inclusive of exchange differences	6	(563)	(466)
Profit before taxation		2,238	1,939
Taxation	7	(703)	(834)
Profit for the period		1,535	1,105
Attributable to:			
Shareholders of the Company		1,195	797
Owners of convertible perpetual securities		128	92
Owners of convertible perpetual capital securities		8	–
Owners of perpetual capital securities		155	155
Non-controlling shareholders of subsidiaries		49	61
		340	308
		1,535	1,105
Earnings per share	9		
– Basic		RMB0.15	RMB0.10
– Diluted		RMB0.12	RMB0.10

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
Profit for the period	1,535	1,105
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of foreign operations	(3)	(7)
Fair value adjustments on interest rate swaps designated as cash flow hedges	(6)	(3)
Fair value adjustments on cross currency swaps designated as cash flow hedges	(6)	26
Reclassification from hedge reserve to profit or loss	26	(40)
Other comprehensive income (expense) for the period	11	(24)
Total comprehensive income for the period	1,546	1,081
Total comprehensive income attributable to:		
Shareholders of the Company	1,206	773
Owners of convertible perpetual securities	128	92
Owners of convertible perpetual capital securities	8	–
Owners of perpetual capital securities	155	155
Non-controlling shareholders of subsidiaries	49	61
	340	308
	1,546	1,081

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2015

	Notes	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Non-current assets			
Investment properties	10	64,528	58,162
Property, plant and equipment		1,396	1,418
Prepaid lease payments		129	131
Interests in associates	11	857	913
Interests in joint ventures	13	41	70
Loans to associates	11	1,815	1,804
Loans to joint ventures	13	2,895	1,735
Accounts receivable and prepayments	12	687	406
Amounts due from associates	11	1,394	1,242
Amounts due from related companies	23	75	–
Pledged bank deposits		2,606	2,300
Deferred tax assets		614	402
		77,037	68,583
Current assets			
Properties under development for sale		17,844	14,684
Properties held for sale		2,627	4,648
Accounts receivable, deposits and prepayments	12	9,330	8,726
Amounts due from associates	11	200	–
Amounts due from related companies	23	1,287	659
Amounts due from non-controlling shareholders of subsidiaries		35	34
Amounts due from customers of contract work		67	90
Pledged bank deposits		827	991
Restricted bank deposits		1,390	2,471
Bank balances and cash		2,303	6,668
		35,910	38,971
Assets classified as held for sale	14	–	769
		35,910	39,740
Current liabilities			
Accounts payable, deposits received and accrued charges	15	8,269	6,926
Amounts due to related companies	23	808	240
Amounts due to non-controlling shareholders of subsidiaries		9	10
Tax liabilities		613	1,242
Bank and other borrowings – due within one year		8,541	5,779
Convertible bonds		432	419
Senior notes	18	–	5,275
Derivative financial instruments		57	214
Liabilities arising from rental guarantee arrangements	19	301	282
		19,030	20,387
Net current assets		16,880	19,353
Total assets less current liabilities		93,917	87,936

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2015

	Notes	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Capital and reserves			
Share capital		145	145
Reserves		38,682	37,666
Equity attributable to shareholders of the Company		38,827	37,811
Convertible perpetual securities	16	2,899	2,898
Convertible perpetual capital securities	17	1,350	–
Perpetual capital securities		3,051	3,051
Non-controlling shareholders of subsidiaries		1,257	1,162
		8,557	7,111
Total equity		47,384	44,922
Non-current liabilities			
Accounts payable and accrued charges		60	72
Bank and other borrowings – due after one year		25,428	22,630
Senior notes	18	13,895	13,862
Derivative financial instruments		82	89
Liabilities arising from rental guarantee arrangements	19	223	249
Loans from non-controlling shareholders of subsidiaries		72	70
Deferred tax liabilities		6,743	6,006
Defined benefit liabilities		30	36
		46,533	43,014
Total equity and non-current liabilities		93,917	87,936

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to shareholders of the Company							
	Share capital	Share premium	Merger reserve	Special reserve	Share option reserve	Share award reserve	Exchange reserve	Convertible bond equity reserve
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
At 1 January 2015 (audited)	145	18,020	122	(135)	205	–	(49)	96
Profit for the period	–	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(3)	–
Fair value adjustments on interest rate swaps designated as cash flow hedges	–	–	–	–	–	–	–	–
Reclassification from hedge reserve to profit or loss	–	–	–	–	–	–	–	–
Fair value adjustments on cross currency swaps designated as cash flow hedges	–	–	–	–	–	–	–	–
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(3)	–
Recognition of equity-settled share-based payment expenses (note 20)	–	–	–	–	2	–	–	–
Issue of shares pursuant to the share award scheme (note 20)	–	–	–	–	–	2	–	–
Issue of convertible perpetual capital securities (note 17)	–	–	–	–	–	–	–	–
Expenditures incurred on issue of convertible perpetual capital securities (note 17)	–	–	–	–	–	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–
Distribution to owners of perpetual securities	–	–	–	–	–	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–
Lapse of share options	–	–	–	–	(83)	–	–	–
2014 final dividend of HK\$0.04 per share paid	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
At 30 June 2015 (unaudited)	145	18,020	122	(135)	124	2	(52)	96
At 1 January 2014 (audited)	145	18,020	122	(135)	199	–	(46)	96
Profit for the period	–	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(7)	–
Fair value adjustments on interest rate swaps designated as cash flow hedges	–	–	–	–	–	–	–	–
Reclassification from hedge reserve to profit or loss	–	–	–	–	–	–	–	–
Fair value adjustments on cross currency swaps designated as cash flow hedges	–	–	–	–	–	–	–	–
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(7)	–
Recognition of equity-settled share-based payment expenses (note 20)	–	–	–	–	3	–	–	–
Issue of convertible perpetual Securities (note 16)	–	–	–	–	–	–	–	–
Expenditure incurred on issue of convertible perpetual securities (note 16)	–	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities, including consent fee of RMB42 million paid to holders of perpetual capital securities relating to the issue of the convertible perpetual securities	–	–	–	–	–	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–
Capital injection	–	–	–	–	–	–	–	–
2013 final dividend of HK\$0.04 per share paid	–	–	–	–	–	–	–	–
At 30 June 2014 (unaudited)	145	18,020	122	(135)	202	–	(53)	96

Attributable to shareholders of the Company											
Hedge reserve	Other reserves	Property revaluation reserves	Retained earnings	Sub-total	Convertible perpetual securities	Convertible perpetual capital securities	Perpetual capital securities	Non-controlling shareholders of subsidiaries	Sub-total	Total	
RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	
(27)	843	64	18,527	37,811	2,898	–	3,051	1,162	7,111	44,922	
–	–	–	1,195	1,195	128	8	155	49	340	1,535	
–	–	–	–	(3)	–	–	–	–	–	(3)	
(6)	–	–	–	(6)	–	–	–	–	–	(6)	
26	–	–	–	26	–	–	–	–	–	26	
(6)	–	–	–	(6)	–	–	–	–	–	(6)	
14	–	–	1,195	1,206	128	8	155	49	340	1,546	
–	–	–	–	2	–	–	–	–	–	2	
–	–	–	–	2	–	–	–	–	–	2	
–	–	–	–	–	–	1,376	–	–	1,376	1,376	
–	–	–	–	–	–	(34)	–	–	(34)	(34)	
–	(56)	–	–	(56)	–	–	–	47	47	(9)	
–	–	–	–	–	(127)	–	(155)	–	(282)	(282)	
–	–	–	–	–	–	–	–	(1)	(1)	(1)	
–	–	–	83	–	–	–	–	–	–	–	
–	–	–	(253)	(253)	–	–	–	–	–	(253)	
–	115	–	–	115	–	–	–	–	–	115	
(13)	902	64	19,552	38,827	2,899	1,350	3,051	1,257	8,557	47,384	
(32)	619	31	17,136	36,155	–	–	3,094	2,925	6,019	42,174	
–	–	–	797	797	92	–	155	61	308	1,105	
–	–	–	–	(7)	–	–	–	–	–	(7)	
(3)	–	–	–	(3)	–	–	–	–	–	(3)	
(40)	–	–	–	(40)	–	–	–	–	–	(40)	
26	–	–	–	26	–	–	–	–	–	26	
(17)	–	–	797	773	92	–	155	61	308	1,081	
–	–	–	–	3	–	–	–	–	–	3	
–	–	–	–	–	2,896	–	–	–	2,896	2,896	
–	–	–	–	–	(94)	–	–	–	(94)	(94)	
–	–	–	–	–	–	–	(198)	–	(198)	(198)	
–	–	–	–	–	–	–	–	(21)	(21)	(21)	
–	–	–	–	–	–	–	–	35	35	35	
–	–	–	(255)	(255)	–	–	–	–	–	(255)	
(49)	619	31	17,678	36,676	2,894	–	3,051	3,000	8,945	45,621	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
Net cash used in operating activities			
(Increase) decrease in inventories of properties		(3,193)	1,305
Increase in accounts receivable, deposits and prepayments		(745)	(2,563)
Increase (decrease) in accounts payable, deposits received and accrued charges		1,212	(2,932)
Other operating cash flows		448	797
		(2,278)	(3,393)
Net cash (used in) from investing activities			
Additions to investment properties		(1,221)	(1,778)
Proceeds from disposal of investment properties		38	81
Proceeds from disposal of assets classified as held for sale	14	714	–
Deposits received relating to the disposal of investment properties		–	1,206
Withdrawal of pledged bank deposits		2,113	2,141
Placement of pledged bank deposits		(2,255)	(1,160)
Placement of restricted bank deposits		(220)	(100)
Release of restricted bank deposits		1,301	–
Advances to associates		(200)	(392)
Acquisition of additional interests in an existing joint venture and shareholders' loans	13	(994)	(20)
Net cash inflow from disposals of subsidiaries		–	84
Net cash outflow from acquisition of a subsidiary	10	(115)	–
Other investing cash flows		(51)	36
		(890)	98
Net cash (used in) from financing activities			
Payments made under rental guarantee arrangements		(280)	(136)
Advance from non-controlling shareholders of subsidiaries		–	140
Capital injected by non-controlling shareholders of subsidiaries		–	35
New bank and other loans raised		8,989	7,568
Repayment of bank and other loans		(3,416)	(6,558)
Issue of convertible perpetual securities	16	–	2,896
Expenditures incurred on issue of convertible perpetual securities	16	–	(94)
Issue of convertible perpetual capital securities	17	1,376	–
Expenditures incurred on issue of convertible perpetual capital securities	17	(34)	–
Issue of senior notes		–	7,528
Expenditures incurred on issue of senior notes		–	(464)
Repayment of senior notes		(5,157)	(1,350)
Settlement for derivative financial instruments designated as cash flow hedge		(159)	–
Interest paid		(1,960)	(1,615)
Payment of dividends		(253)	(255)
Distribution to owners of perpetual capital securities		(155)	(198)
Distribution to owner of convertible perpetual securities		(127)	–
Dividend paid to non-controlling shareholders of subsidiaries		(1)	(21)
Acquisition of additional interests of a subsidiary		(5)	–
		(1,182)	7,476
Net (decrease) increase in cash and cash equivalents			
		(4,350)	4,181
Cash and cash equivalents at the beginning of the period			
		6,668	5,378
Effect of foreign exchange rate changes		(15)	44
Cash and cash equivalents at the end of the period			
		2,303	9,603
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		2,303	9,603

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1 General

The condensed consolidated financial statements for the six months ended 30 June 2015 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 ("HKEX") and with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The Group has not early adopted the amendments to Appendix 16 issued by the HKEX in early 2015 which will be effective for accounting periods ending on or after 31 December 2015.

2 Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

Application of amendments to International Financial Reporting Standards

In the current period, the Group has applied, for the first time, the following new amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for annual periods beginning on 1 January 2015:

Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions

The application of these amendments to IFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3 Turnover and Segmental Information

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

	Six months ended 30 June (Unaudited)					
	2015			2014		
	Group RMB'million	Share of associates RMB'million	Total RMB'million	Group RMB'million	Share of associates RMB'million	Total RMB'million
Property development:						
Property sales	951	69	1,020	4,447	202	4,649
Property investment:						
Rental income received from investment properties	692	17	709	561	16	577
Income from hotel operations	35	–	35	150	–	150
Property management fee income	13	–	13	13	–	13
Rental related income	31	–	31	40	–	40
	771	17	788	764	16	780
Construction	273	–	273	–	–	–
Others	32	–	32	25	–	25
Total	2,027	86	2,113	5,236	218	5,454

The Group has the following three major reportable and operating segments which are organised based on its business activities:

- Property development – development and sale of properties, mainly residential units
- Property investment – offices and retail shops letting, property management and hotel operations
- Construction – construction, interior fitting-out, renovation and maintenance of building premises and provision of related consultancy services (note)

Note:

This is a new operating segment for this current period after the Group acquired the construction business in October 2014.

3 Turnover and Segmental Information (Continued)

	Six months ended 30 June 2015 (Unaudited)				
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue					
External turnover of the Group	951	771	273	32	2,027
Share of turnover of associates	69	17	–	–	86
Total segment revenue	1,020	788	273	32	2,113
Results					
Segment results of the Group	(128)	3,139	(18)	46	3,039
Interest income					182
Share of losses of associates and joint ventures					(18)
Finance costs, inclusive of exchange differences					(563)
Other gains and losses					(258)
Net unallocated expenses					(144)
Profit before taxation					2,238
Taxation					(703)
Profit for the period					1,535

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3 Turnover and Segmental Information (Continued)

	Six months ended 30 June 2014 (Unaudited)				
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue					
External turnover of the Group	4,447	764	–	25	5,236
Share of turnover of associates	202	16	–	–	218
Total segment revenue	4,649	780	–	25	5,454
Results					
Segment results of the Group	1,116	1,554	–	19	2,689
Interest income					137
Other gains and losses					(73)
Share of losses of associates					(90)
Finance costs, inclusive of exchange differences					(466)
Net unallocated expenses					(258)
Profit before taxation					1,939
Taxation					(834)
Profit for the period					1,105

Segment revenue represents the turnover of the Group and the share of turnover of associates after elimination of inter-segment turnover.

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, Directors' emoluments, interest income, other gains and losses, share of losses of associates and joint ventures, finance costs and exchange differences. This is the measure reported to the chief operating decision makers who are the Executive Directors of the Company for the purpose of resource allocation and performance assessment.

4 Operating Profit

	Six months ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
Operating profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	71	92
Release of prepaid lease payments	2	1
Employee benefit expenses		
Directors' emoluments		
Fees	1	1
Salaries, bonuses and allowances	19	19
Share option expenses	–	1
	20	21
Other staff costs		
Salaries, bonuses and allowances	302	323
Retirement benefit costs	19	19
Share option expenses	2	2
Share award expenses	2	–
	325	344
Total employee benefit expenses	345	365
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	(79)	(94)
	266	271
Cost of properties sold recognised as an expense	719	3,265
Impairment loss on properties held for sale and properties under development for sale (included in cost of sales)	292	–
Minimum lease payment under operating leases	14	18
Interest income	(182)	(137)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

5 Other (Gains) and Losses

	Six months ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
Loss arising from rental guarantee arrangements (note 19)	273	144
Fair value (gain) loss on derivative financial instruments	(18)	14
Loss (gain) on disposal of investment properties	3	(16)
Gain on disposal of subsidiaries	–	(69)
	258	73

6 Finance Costs, Inclusive of Exchange Differences

	Six months ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
Interest on bank and other borrowings		
– wholly repayable within five years	955	809
– not wholly repayable within five years	45	63
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years	1	70
Imputed interest on loans from non-controlling shareholders of subsidiaries	–	22
Interest on convertible bonds	23	21
Interest on senior notes	766	610
Net interest expense from cross currency swaps designated as cash flow hedges	50	27
Net interest expense from interest rate swaps designated as cash flow hedges	4	3
Total interest costs	1,844	1,625
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	(1,284)	(1,385)
Interest expense charged to profit or loss	560	240
Net exchange (gain) loss on bank borrowings and other financing activities	(10)	126
Premium for repurchase/exchange of senior notes	–	58
Others	13	42
	563	466

Borrowing costs capitalised during the six months ended 30 June 2015 which arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 8.7% (for the six months ended 30 June 2014: approximately 9.1%) per annum to expenditure on the qualifying assets.

7 Taxation

	Six months ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
The People's Republic of China ("PRC") Enterprise Income Tax	125	418
Deferred taxation	525	143
PRC Land Appreciation Tax	42	273
PRC Withholding Tax	11	–
	703	834

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% (for the six months ended 30 June 2014: 25%) on the assessable profits of the companies in the Group during the period.

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

8 Dividends

	Six months ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
2014 Final dividend declared and paid (2014: 2013 final dividend declared and paid)	253	255
Interim dividend declared in respect of 2015 of HK\$0.022 (2014: HK\$0.022) per share	145	140

Subsequent to the end of the interim period, the Board has declared the payment of HK\$0.022 (equivalent to RMB0.018) per share, amounting to HK\$177 million (equivalent to RMB145 million) in aggregate as the interim dividend with respect to 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9 Earnings Per Share

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

Earnings	Six months ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
Earnings for the purposes of basic earnings per share, being profit for the period attributable to shareholders of the Company	1,195	797
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities	8	–
Adjustment for convertible perpetual securities	(256)	–
Earnings for the purposes of diluted earnings per share	947	797

Number of shares	Six months ended 30 June	
	2015 'million (Unaudited)	2014 'million (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share (note 1)	8,002	8,002
Effect of dilutive potential ordinary shares:		
Convertible bonds	136	130
Convertible perpetual capital securities	82	–
Outstanding share awards	7	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,227	8,132

Notes:

- 1 The weighted average number of ordinary shares shown above has been arrived at after deducting 24,854,000 shares held by a share award scheme trust as set out in note 20.
- 2 There were no dilution effects for outstanding share options and warrants as the exercise prices of each of these share options and warrants were higher than the average market price of the Company's shares per share for the six months ended 30 June 2015 and 30 June 2014.

10 Investment Properties

	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	42,912	33,804
Investment properties under construction or development, stated at fair value	7,882	11,458
stated at cost	13,734	12,900
	21,616	24,358
	64,528	58,162

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

	Completed investment properties at fair value RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Total RMB'million
At 1 January 2015 (audited)	33,804	11,458	12,900	58,162
Additions	2	1,399	834	2,235
Acquisition of a subsidiary (see below)	168	–	–	168
Transfers upon completion	5,391	(5,391)	–	–
Eliminated upon disposal	(65)	–	–	(65)
Transfer from properties held for sale	1,599	–	–	1,599
Increase in fair value recognised in profit or loss	2,013	416	–	2,429
At 30 June 2015 (unaudited)	42,912	7,882	13,734	64,528
At 1 January 2014 (audited)	29,191	10,574	10,508	50,273
Additions	8	1,353	1,656	3,017
Transfers upon completion	596	(596)	–	–
Eliminated upon disposal	(65)	–	–	(65)
Transfers	–	202	(202)	–
Transfer to properties held for sale	–	–	(28)	(28)
Reclassified to investment properties classified as held for sale	(2,111)	–	–	(2,111)
Increase in fair value recognised in profit or loss	414	848	–	1,262
Others	–	95	–	95
At 30 June 2014 (unaudited)	28,033	12,476	11,934	52,443

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

10 Investment Properties (Continued)

On 22 December 2014, an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into a sale and purchase agreement with an independent third party seller ("Agreement"), pursuant to which the seller conditionally agreed to dispose of, and the purchaser conditionally agreed to acquire 100% equity interest of Pacific Sunrise Holdings Limited for a cash consideration of RMB168 million of which RMB118 million was paid in the current period and RMB50 million was paid in the second half of 2014. The acquisition was completed in March 2015 and has been reflected in the movements of the Group's investment properties (see above). The acquisition was accounted for as an asset acquisition.

During the current period, certain properties held for sale with a carrying amount of RMB1,231 million have been transferred to completed investment properties upon the commencement of operating lease. At the date of transfer, the difference amounting to RMB368 million between the fair value of properties amounting to RMB1,599 million and the carrying amount is recognised in profit or loss.

The investment properties are all situated in the PRC and held under long term leases of RMB6,899 million (31 December 2014: RMB7,779 million) and medium term leases of RMB57,629 million (31 December 2014: RMB50,383 million). All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

The fair values of the Group's investment properties at 30 June 2015 and 31 December 2014 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

For 2 blocks of investment properties, a conditional sales and purchase agreement was entered into subsequent to the end of the reporting period (see note 26), and the fair value as of 30 June 2015 has been determined taking into account the agreed consideration set out in the related sales and purchase agreement. In addition, the fair value of another block of an investment property located in a similar location and with similar features as the above-mentioned investment properties as of 30 June 2015 has also been determined taking into account the agreed consideration set out in the above-mentioned sales and purchase agreement. The aggregate fair value of these properties as of 30 June 2015 amounted to RMB11,840 million and the aggregate fair value increase for the current period amounted to RMB1,957 million. Cumulative deferred tax liabilities as of 30 June 2015 amounting to RMB1,770 million have been recognised in the Group's condensed consolidated statement of financial position.

For other completed investment properties, the valuations have been arrived by reference to sales evidence as available on the market, and where appropriate, on the basis of capitalisation of the rental income. In the valuation using capitalisation of net income method, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at 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 key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on the analyses of recent land transactions and market value of similar completed properties in the respective locations.

11 Interests in Associates/Loans to Associates/Amounts Due from Associates

	Notes	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Cost of investments, unlisted		482	482
Share of post-acquisition profits, net of effect on elimination of unrealised interest income		375	431
		857	913
Loans to associates – non-current			
– Interest-free	(a), (d)	796	785
– Interest bearing ranging from 5% to 5.78% (31 December 2014: 5% to 6.77%) per annum	(b), (d)	1,019	1,019
		1,815	1,804
Amounts due from associates – non-current			
– Interest-free	(c), (d)	420	332
– Interest bearing ranging from 5.34% to 12% (31 December 2014: 6.16% to 12%) per annum	(c), (d)	974	910
		1,394	1,242
Amounts due from associates – current		200	–

Notes:

- (a) These loans to associates represent the loans to subsidiaries of Richcoast, an associate of the Group, for financing the development and operation of Dalian Tiandi project in Dalian, the PRC. The Dalian Tiandi project is an integrated mixed-use development in Dalian and it comprises office, retail, residential and hotel/service apartments.
- Pursuant to the joint venture agreement ("Joint Venture Agreement") dated 25 May 2007 entered into among the three shareholders of Richcoast, being Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of SOCAM Development Limited ("SOCAM", an associate of Shui On Company Limited and Many Gain International Limited ("Many Gain"), an independent third party, the loans are unsecured, interest-free and have no fixed terms of repayment until Many Gain 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 rate of 7.29% (31 December 2014: 7.29%) per annum.
- (b) These loans to associates represent the loans to subsidiaries of Richcoast, are unsecured, carry interest at rates ranging from 5% to 5.78% (31 December 2014: 5% to 6.77%) per annum and have no fixed terms of repayment.
- (c) The amounts due from subsidiaries of Richcoast are unsecured, interest free and repayable on demand, except for an aggregate amount of RMB974 million (31 December 2014: RMB910 million) which carries interest at rate from 5.34% to 12% (31 December 2014: 6.16% to 12%) per annum.
- (d) The Directors of the Company expect that these loans to associates and amounts due from associates will not be repayable within twelve months from the end of the reporting period and are therefore classified as non-current assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

12 Accounts Receivable, Deposits and Prepayments

	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	167	211
Trade receivables	104	30
Prepayments of relocation costs (note a)	216	165
Other receivable (note b)	200	–
	687	406
Current accounts receivable comprise:		
Trade receivables	764	388
Prepayments of relocation costs (note a)	7,831	7,765
Other deposits, prepayments and receivables	735	573
	9,330	8,726

Notes:

- (a) The amount represents monies paid to a few relocation agents for clearing the land of the current occupants in respect of a property development project in Shanghai. 82% and 13% (31 December 2014: 77% and 17%) of the total outstanding balance are paid to two of the relocation agents.

The balances represent the amounts that will be capitalised to properties under development for sale and investment properties as soon as the relocation is completed. Such relocation process in respect of the land portion which will be developed for sale is in accordance with the Group's normal operating cycle and accordingly the related relocation costs are classified as current assets. The balances are not expected to be realised within twelve months from the end of the reporting period.

- (b) The amount represents an advance to the government authority in Shanghai. The amount is unsecured, interest-bearing at 6.1% per annum and repayable on date of completion of relocation work for certain land lots of the Group in Shanghai and 31 December 2016, whichever is the earlier. In the opinion of the Directors of the Company, such relocation work will not be completed within twelve months from the end of the reporting period and hence the amount is classified as a non-current asset.

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;
- (ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and
- (iii) receivables arising from construction revenue of which a credit term of 40 days are granted to the customers.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB868 million (31 December 2014: RMB418 million), of which 96% (31 December 2014: 97%) are aged less than 90 days, and 4% (31 December 2014: 3%) are aged over 90 days, as compared to when revenue was recognised.

13 Interests in Joint Ventures/Loans to Joint Ventures

	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Costs of investments, unlisted	70	70
Share of post-acquisition results, net of effect on elimination of unrealised interest income	(29)	–
	41	70
Loans to joint ventures		
– Interest-free and repayable on demand	118	118
– Interest bearing at 110% of People's Bank of China ("PBOC") Prescribed Interest Rate per annum and repayable on demand	2,039	900
– Interest bearing at 100% of PBOC Prescribed Interest Rate per annum and repayable in 2018	738	717
	2,895	1,735

The Directors of the Company consider that all loans to joint ventures are not expected to be repaid within twelve months after the end of the reporting period and accordingly the amounts are classified as non-current.

During the current period, two options were exercised that resulted in the Group's interest in an existing joint venture increasing from 19.3419% to 39.8624%. The shareholders' loans have also been increased in proportion to the increase in ownership interest in the joint venture. The aggregate cash consideration amounted to US\$162 million (approximately RMB994 million). After the acquisition, the Group has retained joint control over the joint venture as the key decision on relevant activities of the joint venture still require unanimous consent from all shareholders.

14 Assets Classified as Held for Sale

During the year ended 31 December 2014, the Group entered into a sale and purchase agreement with a subsidiary of Great Eagle Holdings Limited ("Great Eagle", a company listed in the Stock Exchange of which the substantial shareholder, chairman and the managing director is the sibling of the Chairman and ultimate controlling shareholder of the Company) for the disposal of a hotel and certain carparks located in Shanghai, the PRC for an aggregate cash consideration of RMB965 million, of which RMB714 million (net of the relevant taxes other than income taxes of RMB58 million) was received during the current period and the remaining consideration of RMB193 million has been included in accounts receivables, deposits and prepayments. The disposal has been completed during the current period and the gain on disposal was insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15 Accounts Payable, Deposits Received and Accrued Charges

	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Trade payables with aging analysis (based on invoice date):		
0 – 30 days	2,157	2,579
31 – 60 days	67	516
61 – 90 days	417	206
Over 90 days	519	138
	3,160	3,439
Retention payables (note)	645	646
Deed tax, business tax and other tax payables	194	308
Deposits received and receipt in advance from property sales	3,063	1,638
Deposits received and receipt in advance in respect of rental of investment properties	537	413
Other payables and accrued charges	670	482
	8,269	6,926

Note:

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

16 Convertible Perpetual Securities and Warrants

On 17 February 2014, China Xintiandi Holding Company Limited ("China Xintiandi"), a subsidiary of the Company, has issued convertible perpetual securities with the aggregate principal amount of US\$500 million; and the Company issued 415 million warrants.

The convertible perpetual securities are included in equity in the Group's condensed consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the convertible perpetual securities.

The warrants are classified as derivative liabilities and measured at fair value at initial recognition and at subsequent reporting dates.

Key terms of the convertible perpetual securities

China Xintiandi has the option to pay distributions from and including the issue date (i.e. 17 February 2014), semi-annually in arrears on each distribution payment date in cash at the following distribution rate:

- in respect of the period from, and including the issue date to, but excluding 17 February 2019, 8.3 per cent per annum;
- in respect of the period from, and including 17 February 2019, 20 per cent per annum.

If China Xintiandi elects not to pay a distribution or does not pay a distribution on two separate distribution payment dates, China Xintiandi shall not, for as long as any convertible perpetual securities are outstanding, declare or pay in cash or in kind any dividend distribution or make any other payment on, and shall procure that, no dividend, distribution or other payment is made on, any of its junior securities or parity obligations, or redeem, reduce, cancel or buy-back or acquire for any consideration any of its junior securities, or parity obligations, unless and until it is permitted to do so by written consent of the holders of the majority of the convertible perpetual securities then outstanding.

16 Convertible Perpetual Securities and Warrants (Continued)

Key terms of the convertible perpetual securities (Continued)

The convertible perpetual securities may be converted into ordinary shares of China Xintiandi at any time at the option of the holder at an initial conversion price of approximately US\$2,283 per China Xintiandi share subject to certain anti-dilutive adjustments. The convertible perpetual securities will convert automatically into ordinary shares of China Xintiandi upon a qualified IPO or a listing approved by the holder at the same pre-determined conversion price.

The convertible perpetual securities may be redeemed at China Xintiandi's option beginning on the fifth anniversary of the closing date under certain conditions.

In addition, as part of the agreements, the holder has been given a right to exchange the convertible perpetual securities for a certain number of ordinary shares of the Company at any time during a certain period of time starting from and including the third anniversary of the issue date at an initial exchange price of HK\$3.25 subject to certain anti-dilutive adjustments.

Up to the date of the authorisation of the Group's condensed consolidated financial statements for six months ended 30 June 2015, no convertible perpetual securities have been converted into ordinary shares of China Xintiandi or of the Company nor have been redeemed.

Any distributions made by China Xintiandi to the holder will be recognised in equity. The Group had not elected to defer distribution payments for the semi-annual period ended 16 August 2015, and such distribution had been fully settled as of the date of authorisation of the Group's condensed consolidated financial statements.

Key terms of the warrants

The 415 million warrants are exercisable for 415 million ordinary shares of the Company from the closing date until the third anniversary of the closing date at an exercise price of HK\$2.85 per ordinary share subject to certain anti-dilutive adjustments. Upon exercise of the warrants, to the extent that the then market value of each ordinary share of the Company exceeds the exercise price of the warrant by HK\$3.62, the number of ordinary shares to be issued will be reduced such that the gain to be received by the holder of the warrant will be capped at HK\$3.62 per warrant.

Up to the date of the authorisation of the Group's condensed consolidated financial statements for six months ended 30 June 2015, no warrants have been exercised.

The warrants issued by the Company are measured at fair value at initial recognition. At the end of each reporting date, the warrants are measured at fair value, with changes in fair value being recognised in profit or loss. The movements of the fair value of the derivative liabilities represented by warrants during the current period are as below:

	RMB'million
Fair value recognised as at the date of initial recognition	129
Unrealised fair value gain recognised in profit or loss	(65)
Fair value at 31 December 2014 (Audited)	64
Unrealised fair value gain recognised in profit or loss	(7)
Fair value at 30 June 2015 (Unaudited)	57

The Company has engaged an independent qualified valuer to determine the fair values of the warrants as at 31 December 2014 and as at 30 June 2015. The fair values of the warrants as at 31 December 2014 and as at 30 June 2015 are determined based on Black-Scholes option pricing method.

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For the six months ended 30 June 2015

17 Convertible Perpetual Capital Securities Issued in the Current Period

On 4 June 2015, Shui On Development (Holding) Limited ("SODH"), a wholly-owned subsidiary of the Company, has issued convertible perpetual capital securities ("CPCS") with an aggregate principal amount of USD225 million (equivalent to approximately RMB1,376 million). The CPCS are guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH. Transaction costs relating to the issue of CPCS amounted to approximately RMB34 million.

Key terms of the CPCS

SODH has an option to pay distributions from and including the issue date (i.e. 4 June 2015), semi-annually in arrears on each distribution payment date in cash at the following distribution rates:

- in respect of the period from, and including the issue date to, but excluding 4 June 2020, 7.5 per cent per annum;
- in respect of the periods (i) from, and including 4 June 2020 to, but excluding, the immediately following Reset Date (i.e. 4 June 2020 and each day falling every five calendar years after 4 June 2020) and (ii) from, and including each Reset Date falling thereafter to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate (i.e. the rate for U.S. Dollars Swaps with a maturity of 5 years from the relevant reset rate plus the 5.809% Initial Spread plus the 3.00% Step-Up Margin per annum).

SODH has, at its sole discretion, a right to elect to defer a distribution, unless a compulsory distribution payment event has occurred. If on any distribution payment date SODH elects not to pay a distribution, SODH and the Company, shall not, and the Company shall procure that no dividend, distribution or other payment is made on, any of its junior securities or parity obligations, or to redeem, reduce, cancel or buy-back or acquire for any consideration any of its junior securities, or parity obligations, unless and until SODH and the Company satisfies in full all arrears of distribution and the interest thereof or it is permitted to do so by an extraordinary resolution of the holders of the CPCS.

A compulsory distribution payment event happens when (i) a discretionary dividend, distribution or other payment has been paid or declared by SOL or (ii) SOL or SODH has at its discretion repurchased, redeemed or otherwise acquired any of its junior securities, preference shares or parity securities.

The CPCS can be converted into ordinary shares of the Company at any time on or after 15 July 2015 at the option of the holders at a fixed conversion price of HK\$3.2280 (at a fixed exchange rate of HK\$7.7528 to US\$1) per share of the Company, subject to certain anti-dilutive adjustments. An adjustment has been made to the conversion price from HK\$3.2280 to HK\$3.15 as a result of the dividend paid by the Company to its ordinary shareholders in June 2015.

The CPCS have no fixed redemption date. SODH may at its option redeem all, but not some only, of the CPCS on 4 June 2020 or on any of 4 June or 4 December after 4 June 2020, and in certain specified circumstances specified in the agreements.

In case of occurrence of any delisting or suspension of the trading of the Company's shares for more than 30 consecutive days that were initiated or made by the Company, the holder of CPCS will have the right to require the Company to procure the redemption of the CPCSs. In the opinion of the Directors of the Company, the occurrence of such events is highly remote.

The CPCS are included in equity in the Group's condensed consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPCS.

Up to the date of the authorisation of the Group's condensed consolidated financial statements for the six months ended 30 June 2015, no convertible perpetual capital securities have been converted into ordinary shares of the Company.

Any distributions made by SODH to the holders will be recognised in equity in the condensed consolidated financial statements of the Group. No distribution was paid for the six months ended 30 June 2015.

18 Senior Notes

	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
At the beginning of period/year	19,137	10,330
Issue of new senior notes	–	10,605
Less: Transaction costs directly attributable to issue/modification of senior notes	–	(534)
Interest charged during the period/year	766	1,435
Less: Interest paid	(841)	(1,272)
Less: Repayment of senior notes	(5,157)	(1,350)
Exchange translation	(10)	(77)
At the end of period/year	13,895	19,137
Less: Amount due within one year shown under current liabilities	–	(5,275)
Amount due after one year	13,895	13,862

19 Liabilities Arising from Rental Guarantee Arrangements

	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Rental guarantees, at fair values	524	531
For the purpose of financial statements presentation:		
Non-current liabilities	223	249
Current liabilities	301	282
	524	531

During the year ended 31 December 2014, the Group disposed of an investment property to an independent third party (“purchaser”) for a cash consideration of RMB2,412 million. As part of the disposal, the Group also agreed to provide the purchaser with a rental guarantee whereby the Group agreed to compensate the purchaser on a yearly basis, from the date when the first instalment was received till 31 January 2019 which could be further extended by the purchaser for three times, each for a one-year period when certain conditions are met, the shortfall between 8% of the consideration received by the Group from the purchaser and the net operating income to be generated by the property. On the other hand, the Group shall be entitled to receive from the purchaser a fee amounting to 80% of the excess of net operating income above 8% of the consideration received by the Group from the purchaser.

A similar arrangement was entered into in the year ended 31 December 2013 with another independent third party purchaser, which, in accordance with the related sales and purchase agreement, the rental guarantee arrangement will last till January 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

19 Liabilities Arising from Rental Guarantee Arrangements (Continued)

In the current period, the Group has reassessed and revised the related cash flow forecasts taking into account the latest market conditions. As at 30 June 2015, the fair value of financial liabilities arising from the abovementioned rental guarantee arrangements, which is calculated by using Monte-Carlo simulation using the following assumptions:

	30.6.2015	31.12.2014
Estimated office unit rental	RMB91 to RMB142 per square meter	RMB108 to RMB170 per square meter
Occupancy rate	54% to 98%	95% to 98%
Risk-free rate	2.033% to 3.106%	3.38% to 3.46%
Discount rate	8.216% to 9.289%	8%
Volatility	33.688% to 35.321%	13.23% to 17.3%
Expected expiry date	17 January 2017 and 31 January 2020	17 January 2017 and 31 January 2019

A loss of RMB273 million has been recognised in profit or loss in the current period to reflect changes in estimates (included in “other gains and losses” item).

The Group’s liabilities arising from rental guarantee arrangements that are measured at fair value at the end of the reporting period are grouped under Level 3. Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability. The higher the estimated office unit rental and occupancy rate, the lower the fair value of the liabilities arising from rental guarantee arrangements. The higher the discount rate, the lower the fair value of the liabilities arising from rental guarantee arrangements.

20 Share-Based Payment Transactions

Share option scheme

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

As of 30 June 2015, 89,149,143 share options (31 December 2014: 106,199,404 share options) remained outstanding under the Scheme, representing 1.1% (31 December 2014: 1.3%) of the ordinary shares of the Company in issue at that date. The Scheme allows the Board of Directors of the Company, 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 exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company’s shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share.

The Group recognised a total expense of RMB2 million (for the six months ended 30 June 2014: RMB3 million) in the condensed consolidated statement of profit or loss for the current period in relation to share options granted by the Company.

20 Share-Based Payment Transactions (Continued)

Share option scheme (Continued)

No share options were exercised during the six months ended 30 June 2014. The movement in the Company's share options during the current period is set out below:

Date of grant	Exercise price HK\$	Number of options			At 30 June 2015
		At 1 January 2015	Exercised during the period	Lapsed during the period	
20 June 2007	6.45	43,183,746	–	(11,161,694)	32,022,052
1 August 2007	7.54	633,145	–	–	633,145
2 October 2007	9.22	363,192	–	(25,105)	338,087
1 November 2007	10.86	312,799	–	–	312,799
3 December 2007	9.11	88,153	–	–	88,153
2 January 2008	8.27	2,417,322	–	(540,305)	1,877,017
1 February 2008	7.42	479,602	–	(162,493)	317,109
3 March 2008	7.08	361,974	–	(61,621)	300,353
2 May 2008	7.31	3,298,158	–	(596,930)	2,701,228
2 June 2008	6.77	7,354,544	–	(1,361,410)	5,993,134
2 July 2008	5.95	280,114	–	(7,196)	272,918
4 September 2009	4.52	9,317,382	–	(1,297,755)	8,019,627
18 January 2012	2.41	10,304,887	(50,000)	(742,765)	9,512,122
3 September 2012	4.93	27,804,386	–	(1,042,987)	26,761,399
Total		106,199,404	(50,000)	(17,000,261)	89,149,143
Categorised as:					
Directors		7,109,726	–	–	7,109,726
Consultant		434,000	–	(217,000)	217,000
Employees		98,655,678	(50,000)	(16,783,261)	81,822,417
		106,199,404	(50,000)	(17,000,261)	89,149,143
Number of options exercisable at the beginning and end of the period		71,843,210			69,096,574

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20 Share-Based Payment Transactions (Continued)

Share award scheme

On 1 April 2015, (1) a connected employee share award scheme and (2) an employee share award scheme were adopted by the Company. The share award scheme is effective for a period of 16 years commencing from 1 April 2015. Pursuant to these two schemes, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest. The Company shall pay to the trustee monies and give directions or recommendation to the trustee to apply such monies and/or such other net amount of cash derived from shares held as part of the fund of the trusts to acquire shares from the market, and/or allot and issue shares to the trustee, to satisfy any award made to selected participants. The remuneration committee of the Company shall select eligible persons and determine the number of shares to be awarded. Upon termination of the schemes, the trustee shall sell all unvested shares remaining in the trusts within a reasonable time period as agreed between the trustee and the Company, and remit all cash and net proceeds of such sale and such other funds remaining in the trust to the Company.

During the current period, a total of 17,149,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 42,872,500 award shares, i.e. 250% of the award shares granted during the period) and 7,705,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 19,262,500 award shares, i.e. 250% of the award shares granted during the period) of the Company have been awarded to certain connected employees (including directors of the Company and certain subsidiaries) and employees of the Group respectively at no consideration.

The awarded shares shall vest upon satisfaction of the Group's performance and the individual performance during the performance period.

As at 30 June 2015, 24,854,000 shares are allotted at par and held by the trust for the share award schemes.

Vesting dates	Outstanding at 1 January 2015	Movement during the period Awarded	Vested	Outstanding at 30 June 2015
Connected Employee Share Award Scheme				
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	–	8,574,500	–	8,574,500
2 January 2018	–	4,287,250	–	4,287,250
2 January 2019	–	4,287,250	–	4,287,250
	–	17,149,000	–	17,149,000
Employee Share Award Scheme				
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	–	3,852,500	–	3,852,500
2 January 2018	–	1,926,250	–	1,926,250
2 January 2019	–	1,926,250	–	1,926,250
	–	7,705,000	–	7,705,000
	–	24,854,000	–	24,854,000

The aggregate fair value of 24,854,000 shares awarded in the current period and determined at the date of grant amounted to approximately RMB45 million, of which RMB2 million was recognised as an expense in profit or loss for the current period with the corresponding credit being recognised in equity under the heading of "share award reserve". The fair value of the awarded shares determined by the Directors at the date of award appropriates the closing price of the Company's shares as of that date.

21 Pledge of Assets

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

	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Investment properties	54,048	47,744
Property, plant and equipment	740	796
Prepaid lease payments	129	131
Properties under development for sale	6,050	3,794
Properties held for sale	753	632
Accounts receivable	51	43
Bank deposits	3,433	3,291
	65,204	56,431

The equity interests in certain subsidiaries with carrying amount of net assets of RMB19,770 million (31 December 2014: RMB20,625 million) were also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

In addition, the Group is in the process of obtaining title deeds in respect of investment properties under construction or development and properties under development for sale with the aggregate carrying amount of RMB5,122 million (31 December 2014: RMB5,389 million) and RMB6,363 million (31 December 2014: RMB4,913 million), respectively. The Directors of the Company believe that the relevant title deeds will be granted in due course and the absence of official certificate does not impair the value of the relevant properties.

22 Commitments and Contingencies

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

	30 June 2015 RMB'million (Unaudited)	31 December 2014 RMB'million (Audited)
Contracted but not provided for:		
Development costs for investment properties under construction or development	5,785	6,282
Development costs for properties under development held for sale	5,944	6,329
Acquisition of investment properties through acquisition of a company	–	118
Acquisition of additional interests in a joint venture	–	991
	11,729	13,720

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22 Commitments and Contingencies (Continued)

Financial guarantee contracts:

- (a) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (31 December 2014: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 30 June 2015 and 31 December 2014, such arrangement has not taken place.
- (b) As at 30 June 2015, the Group has provided a guarantee to (a) a joint venture which was formed between Richcoast and Mitsui Fudosan Residential Co., Ltd. ("Mitsui", a non-controlling shareholder of an associate's subsidiary) and (b) Mitsui for an aggregate amount not exceeding RMB128 million (31 December 2014: RMB311 million) in respect of Richcoast's payment obligations to the joint venture and Mitsui.
- (c) As at 30 June 2015, the Group has issued a financial guarantee to an independent third party in respect of an outstanding amount due from a subsidiary of an associate. The maximum amount that could be paid by the Group if the guarantee was called upon is RMB149 million (31 December 2014: RMB192 million).

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors of the Company consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the condensed consolidated statement of financial position as at 30 June 2015. Should the actual outcome be different from expected, provision for losses will be recognised in the condensed consolidated financial statements.

23 Related Party Transactions

Amounts due from and to related companies are unsecured, interest-free and repayable on demand except for the amounts due from related companies amounting to RMB222 million (31 December 2014: RMB173 million) which are trade nature and with the credit period of 40 days granted by the Group, of which 26% (31 December 2014: 17%) are aged less than 90 days, and 74% (31 December 2014: 83%) are aged over 90 days, as compared to when revenue was recognised.

23 Related Party Transactions (Continued)

In addition, apart from the related party transactions and balances as disclosed in notes 11 and 13 and those on the face of the condensed consolidated statement of financial position, the Group also had the following transactions with related parties during the current period:

	Six months ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
SOCL and its subsidiaries other than those of the Group		
Rental and building management fee expenses	2	2
Travel expenses	2	6
SOCAM and its subsidiaries, associates of SOCL		
Project construction costs	–	269
Revenue from construction services	199	–
Associates		
Project management fee income	–	21
Interest income	105	26
Imputed interest income	11	20
Joint venture		
Interest income	30	21
Project management fee income	4	–
Key management personnel (including Directors of the Company)		
Property sales	8	–
Short-term benefits	45	65
Share option expenses	1	1
Share award expenses	1	–
	47	66

24 Fair Value Measurements of Financial Instruments

The Group's derivative financial instruments and warrants are measured at fair value at the end of the reporting period that are grouped into Level 2. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

25 Comparative Figures

Comparative figures have been reclassified to conform with current period's presentation to reflect the reclassification of (i) cost of sales and other gains and losses of equal and opposite amount of RMB144 million in relation to a loss arising from rental guarantee arrangements and (ii) other income and other gains and losses of equal and opposite amount of RMB85 million in relation to gain on disposal of subsidiaries and gain on disposal of investment properties in the condensed consolidated statement of profit or loss.

26 Events after the Reporting Period

Pursuant to a sale and purchase agreement entered into with an independent third party dated 23 July 2015, the Group has conditionally agreed to dispose of the Group's entire 100% equity interest in a subsidiary, Brixworth International Limited ("Brixworth") that indirectly owns investment properties that are measured at fair value as of 30 June 2015. Details of the terms of the sale and purchase agreement are disclosed in the Company's announcement dated 24 July 2015. The disposal has not been legally completed as of the date of issuance of the condensed consolidated financial statements.

Interim Dividend

The Board has declared an interim dividend of HKD0.022 per share (2014: HKD0.022 per share) for the six months ended 30 June 2015, which is payable on or about 25 September 2015 to shareholders whose names appear on the register of members of the Company on 15 September 2015.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15 September 2015.

Directors' Interests in Securities

At 30 June 2015, the interests and short positions of the then Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Directors	Number of ordinary shares			Interests in the underlying shares		Approximate percentage of interests in the Company (Note 5)
	Personal interests	Family interests	Other interests	Share options	Total	
Mr. Vincent H. S. LO	–	1,849,521 (Note 1)	4,583,545,484 (Notes 2 & 3)	–	4,585,395,005	57.12%
Mr. Daniel Y. K. WAN (Note 4)	–	–	8,560,000 (Note 4a)	7,109,726 (Note 4b)	15,669,726	0.19%
Sir John R. H. BOND	250,000	–	–	–	250,000	0.003%
Dr. William K. L. FUNG	5,511,456	–	–	–	5,511,456	0.06%
Professor Gary C. BIDDLE	305,381	–	–	–	305,381	0.0038%
Dr. Roger L. McCARTHY	200,000	–	–	–	200,000	0.002%

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 1,849,521 shares under Part XV of the SFO.
- (2) These shares were held by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,198,103,792 shares, 1,446,988,826 shares, 183,503,493 shares, 29,847,937 shares, 573,333,333 shares, 708,448,322 shares, 150,000,000 shares and 293,319,781 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), Chester International Cayman Limited ("Chester International"), New Rainbow Investments Limited ("NRI"), Lanvic Limited ("Lanvic"), Boswell Limited ("Boswell"), Merchant Treasure Limited ("Merchant Treasure") and Doretum Limited ("Doretum") respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doretum were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("SOCAM") which in turn was held by SOCL as to 48.38% as of 30 June 2015. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.
- (3) Out of these 4,583,545,484 shares, SOP may lend up to 350,000,000 shares in aggregate to J.P. Morgan Securities plc pursuant to a Stock Lending Agreement dated 21 May 2015 entered into between SOP (as lender) and J.P. Morgan Securities plc (as borrower), details of which were set out in the announcement of the Company dated 22 May 2015.
- (4) Mr. Daniel Y. K. WAN resigned as an Executive Director of the Company on 31 July 2015 subsequent to the interim reporting period for the six months ended 30 June 2015.
 - (a) The interest of 8,560,000 shares represents the maximum number of award shares that may vest pursuant to an award granted to Mr. Daniel Y. K. WAN under a share award scheme adopted by the Company on 1 April 2015, details of which were set out in the announcement of the Company dated 1 April 2015. These award shares are currently held by the trustee in relation to the share award scheme before vesting.
 - (b) This represents the interests of share options granted to the Director under the share option scheme adopted by the Company on 8 June 2007 to subscribe for shares.
- (5) These percentages have been compiled based on the total number of issued shares (i.e. 8,026,630,189 shares) at 30 June 2015.

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

Name of Directors	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal interests	USD813,000
Dr. William K. L. FUNG	Shui On Development (Holding) Limited	Family interests	USD500,000
		Interests of Controlled Corporation	USD3,000,000

Save as disclosed above, at 30 June 2015, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities

At 30 June 2015, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests in the Company (Note 6)
Mrs. Lo	Family and Personal	4,585,395,005 (L) (Notes 1 & 4)	57.12%
HSBC Trustee	Trustee	4,583,545,484 (L) (Notes 2, 3 & 4)	57.10%
Bosrich	Trustee	4,583,545,484 (L) (Notes 2, 3 & 4)	57.10%
SOCL	Interests of Controlled Corporation	4,583,545,484 (L) (Notes 2, 3 & 4)	57.10%
JPMorgan Chase & Co.	Interests of Controlled Corporation/ Custodian Corporation/ Approved Lending Agent	474,056,282 (L) 305,000,000 (S) 82,301,283 (P) (Notes 4 and 5)	5.90% 3.79% 1.02%

Notes:

- These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,583,545,484 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO as mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 4,583,545,484 shares under Part XV of the SFO.
- These shares were held by SOCL through its controlled corporations, comprising 1,198,103,792 shares, 1,446,988,826 shares, 183,503,493 shares, 29,847,937 shares, 573,333,333 shares, 708,448,322 shares, 150,000,000 shares and 293,319,781 shares held by SOP, SOI, Chester International, NRI, Lanvic, Boswell, Merchant Treasure and Doretum respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doretum were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 48.38% as of 30 June 2015. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.
- Out of these 4,583,545,484 shares, SOP may lend up to 350,000,000 shares in aggregate to J.P. Morgan Securities plc pursuant to a Stock Lending Agreement dated 21 May 2015 entered into between SOP (as lender) and J.P. Morgan Securities plc (as borrower), details of which are set out in the announcement of the Company dated 22 May 2015.
- (L) represents long position; (S) represents short position; and (P) represents lending pool.
- The interests held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Beneficial owner	391,754,999	305,000,000
Custodian/approved lending agent	82,301,283	–

- These percentages have been compiled based on the total number of issued shares (i.e. 8,026,630,189 shares) at 30 June 2015.

Save as disclosed above, at 30 June 2015, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Share Options

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 (the "Adoption Date") are set out in note 20 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 2015:

Name or category of Eligible participants	Date of grant	Exercise price per share HK\$	At 1 January 2015	Exercised during the period	Lapsed during the period	At 30 June 2015	Period during which the share options are exercisable
Director							
Mr. Daniel Y. K. WAN*	18 January 2012	2.41	1,025,617	–	–	1,025,617	28 June 2013 – 17 January 2020
	3 September 2012	4.93	6,084,109	–	–	6,084,109	3 October 2012 – 28 October 2018
Sub-total			7,109,726	–	–	7,109,726	
Consultant							
Mr. Richard K. N. HO	20 June 2007	6.45	434,000	–	(217,000)	217,000	20 June 2007 – 19 June 2016
Sub-total			434,000	–	(217,000)	217,000	
Employees (in aggregate)							
	20 June 2007	6.45	42,749,746	–	(10,944,694)	31,805,052	20 June 2009 – 19 June 2016
	1 August 2007	7.54	633,145	–	–	633,145	1 August 2009 – 31 July 2016
	2 October 2007	9.22	363,192	–	(25,105)	338,087	2 October 2009 – 1 October 2016
	1 November 2007	10.86	312,799	–	–	312,799	1 November 2009 – 31 October 2016
	3 December 2007	9.11	88,153	–	–	88,153	3 December 2009 – 2 December 2016
	2 January 2008	8.27	2,417,322	–	(540,305)	1,877,017	2 January 2010 – 1 January 2017
	1 February 2008	7.42	479,602	–	(162,493)	317,109	1 February 2010 – 31 January 2017
	3 March 2008	7.08	361,974	–	(61,621)	300,353	3 March 2010 – 2 March 2017
	2 May 2008	7.31	3,298,158	–	(596,930)	2,701,228	2 May 2010 – 1 May 2017
	2 June 2008	6.77	7,354,544	–	(1,361,410)	5,993,134	2 June 2010 – 1 June 2017
	2 July 2008	5.95	280,114	–	(7,196)	272,918	2 July 2010 – 1 July 2017
	4 September 2009	4.52	9,317,382	–	(1,297,755)	8,019,627	3 November 2010 – 2 November 2017
	18 January 2012	2.41	9,279,270	(50,000)	(742,765)	8,486,505	28 June 2013 – 17 January 2020
	3 September 2012	4.93	9,349,437	–	(1,042,987)	8,306,450	3 October 2012 – 28 October 2018
	3 September 2012	4.93	12,370,840	–	–	12,370,840	5 November 2012 – 4 November 2019
Sub-total			98,655,678	(50,000)	(16,783,261)	81,822,417	
Total			106,199,404	(50,000)	(17,000,261)	89,149,143	

* Mr. Daniel Y. K. WAN resigned as an Executive Director of the Company on 31 July 2015 subsequent to the interim reporting period for the six months ended 30 June 2015.

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices appropriately in the conduct and growth of its business, and to pursuing the 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 all the applicable code provisions (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and aligns its practices with the latest developments of the CG Code.

Compliance with the CG Code

During the six months ended 30 June 2015, the Company has fully complied with the applicable code provisions of the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2015.

To comply with the code provision A.6.4 of the CG Code, the Company has established and adopted a Code for Securities Transactions by Relevant Employees (with the meaning ascribed thereto in the Listing Rules) on terms no less exacting than the Model Code, to regulate dealings in the shares of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities because of their offices or employments.

No incident of non-compliance with the Model Code by the Directors and the Code for Securities Transactions by Relevant Employees was noted by the Company.

Board Composition

The majority of the members of the Board of Directors (the “Board”) of the Company are Independent Non-executive Directors (“INEDs”). Currently, the Board is made up of seven members in total, with two Executive Directors and five INEDs.

In conformity to the Board Diversity Policy adopted by the Company, the composition of the Board reflects the necessary balance of skills, experience and diversity of perspectives desirable for effective leadership of the Company and independence in decision-making.

In addition, the functions of the Board and the management are clearly established and set out in writing for delegation of day-to-day operational responsibility to the management of the Company.

Chairman and Chief Executive

The division of responsibilities of chairman and chief executive of the Company is clearly established and set out in writing. The roles of chairman and chief executive of the Company are separated and currently performed by Mr. Vincent H. S. LO (“Mr. LO”) and the Executive Committee of the Company (“EXCOM”) respectively. Mr. LO, who is the Chairman of the Company and one of the members of the EXCOM, takes an active role in steering the business and to leverage his experience to guide the EXCOM at a strategic level and promote the Company’s sustainable growth. The reformed EXCOM after the reorganized management of the Group collectively takes the key management role of the Company on executive decisions and takes up the functional duties of Chief Executive Officer.

Board Committees

The Board has established four Board committees with defined terms of reference, namely Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee, for overseeing particular aspects of the Company’s affairs. The Company has also set up an Investment Sub-Committee under the Finance Committee to oversee the formulation of investment strategy for the Company.

Audit Committee

The Audit Committee was established to review the financial information of the Group, oversee the Group's financial reporting system and internal control procedures, and assist the Board and its Chairman in performing the corporate governance functions of the Company. The Audit Committee also reviews the relationship with the external auditor including but not limited to their work, fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

The Audit Committee consists of three members, namely Professor Gary C. BIDDLE ("Professor BIDDLE"), Dr. Roger L. McCARTHY ("Dr. McCARTHY") and Mr. David J. SHAW, all of whom are INEDs. The Chairman of the Audit Committee is Professor BIDDLE who possesses appropriate professional qualifications, accounting and related financial management expertise.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015, including the accounting principles and practices and internal control system adopted by the Company, in conjunction with the Company's external auditor. The Audit Committee has no disagreement with the accounting treatment adopted.

Remuneration Committee

The Remuneration Committee was established to evaluate the performance of the Directors and senior management and make recommendations on their remuneration packages, and to evaluate and make recommendations on employee benefit arrangements.

The Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. LO and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are INEDs. The Chairman of the Remuneration Committee is Dr. FUNG.

Nomination Committee

The Nomination Committee was established to review the structure, size and composition of the Board and the Board Diversity Policy, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

The Nomination Committee consists of 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.

Finance Committee

The Finance Committee was established to stipulate and monitor the financial strategies, policies and guidelines of the Group. In June 2015, the Board has expanded the terms of reference of the Finance Committee to include the functions and duties of an investment committee.

The Finance Committee currently consists of five members, namely Mr. LO, Sir John R. H. BOND, Dr. FUNG, Professor BIDDLE and Mr. Frankie Y. L. WONG. Sir John R. H. BOND, Dr. FUNG and Professor BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. LO.

Awards Received

During the six months ended 30 June 2015, the Company was awarded "2014 China Real Estate Shanghai Property Agents Annual Meeting – Most Influential Property Developer" by Oriental Morning Post and the Company's annual report for the year ended 31 December 2013 was awarded "ARC 100 Best Annual Reports of 2014 International" by ARC Awards.

Training, Induction and Continuing Development for Directors

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

On 26 March 2015, the Company had invited an external professional advisor to provide training to the Directors. The seminar facilitated interaction between the Directors and the advisor on the new compliance requirements under the new Companies Ordinance, the Hong Kong Financial Reporting Standards and the Listing Rules which are of relevance to the Directors' duties and responsibilities, corporate governance and compliance of the Company. Mr. LO, Mr. Frankie Y. L. WONG, Sir John R. H. BOND, Professor BIDDLE and Dr. McCARTHY attended this training session and briefing materials were sent to all Directors for perusal.

Annual General Meeting

To enhance communications with shareholders at the Company's Annual General Meeting, the conducting language is Cantonese with simultaneous interpretation in English. The Chairman of the Board, most of the Directors, the Chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Finance Committee or in their absence, another member of the committees and the external auditor were present at the Annual General Meeting held on 27 May 2015 and the meeting provided a useful forum to exchange views with the Board.

Purchase, Sale or Redemption of Securities

In January 2011, Shui On Development (Holding) Limited ("SODH") issued RMB3,500 million US\$ settled 7.625% senior notes due 2015 (the "2015 SODH RMB Notes"). Following the completion of the RMB Notes Exchange and Tender Offer (as defined in the announcement of the Company dated 13 May 2014), the aggregate principal amount of the 2015 SODH RMB Notes remained outstanding was RMB1,190.99 million and SODH had fully repaid this outstanding principal amount of the 2015 SODH RMB Notes together with the accrued and unpaid interest upon its maturity on 26 January 2015.

In January 2012, Shui On Development (Singapore) Pte. Ltd. ("Shui On Development (Singapore)") issued S\$250 million 8% senior notes due 2015 (the "2015 SODS Notes"). Shui On Development (Singapore) had fully repaid the principal amount of the outstanding 2015 SODS Notes together with the accrued and unpaid interest upon its maturity on 26 January 2015.

In August 2012, SODH issued an aggregate of US\$875 million 9.75% senior notes due 2015 (the "2015 SODH USD Notes"). Following the completion of the US\$ Notes Exchange Offer (as defined in the announcement of the Company dated 13 May 2014), the 2015 SODH USD Notes that remained outstanding was US\$457.21 million and SODH had fully repaid this outstanding principal amount of the 2015 SODH USD Notes together with the accrued and unpaid interest upon its maturity on 16 February 2015.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2015.

Disclosure under Rule 13.21 of the Listing Rules

On 26 January 2011, a written agreement (the "2015 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB Trustee (Hong Kong) Limited ("DB") as trustee of the 2015 SODH RMB Notes, pursuant to which the 2015 SODH RMB Notes were issued. The 2015 Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 Indenture), SODH will make an offer to repurchase all outstanding 2015 SODH RMB Notes, at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 26 January 2011. Following the completion of the RMB Notes Exchange and Tender Offer (as defined in the announcement of the Company dated 13 May 2014), the aggregate principal amount of the 2015 SODH RMB Notes remained outstanding was RMB1,190.99 million and SODH had fully repaid this outstanding principal amount together with the accrued and unpaid interest upon its maturity on 26 January 2015.

On 26 January 2012, a written agreement (the "2015 SODS Indenture") was entered into between the Company and SODH as guarantors, Shui On Development (Singapore) Pte. Ltd. ("Shui On Development (Singapore)") as issuer and DB as trustee of the 2015 SODS Notes, pursuant to which the 2015 SODS Notes were issued. The 2015 SODS Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 SODS Indenture), the Company, SODH or Shui On Development (Singapore) will make an offer to repurchase all outstanding 2015 SODS Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 26 January 2012. Shui On Development (Singapore) had fully repaid the principal amount of the outstanding 2015 SODS Notes together with the accrued and unpaid interest upon its maturity on 26 January 2015.

On 16 February 2012 and 29 February 2012 respectively, two written agreements (together, the "2015 SODH Indenture") were entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US\$475 million 9.75% senior notes due 2015 issued by SODH (being "Batch One of the 2015 SODH USD Notes"), pursuant to which Batch One of the 2015 SODH USD Notes were issued. The 2015 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2015 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding Batch One of the 2015 SODH USD Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 1 March 2012. Please also refer to the next paragraph on the Additional 2015 SODH USD Notes below.

On 30 July 2012, the Company and SODH entered into a purchase agreement with Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch in connection with the issue of US\$400 million 9.75% senior notes due 2015 (being the “Additional 2015 SODH USD Notes” which together with Batch One of the 2015 SODH USD Notes formed the whole of 2015 SODH USD Notes). The Additional 2015 SODH USD Notes were issued pursuant to the 2015 SODH Indenture. Details of the transaction were set out in the announcement of the Company dated 7 August 2012. Following the completion of the US\$ Notes Exchange Offer (as defined in the announcement of the Company dated 13 May 2014), the 2015 SODH USD Notes that remained outstanding was US\$457.21 million and SODH had fully repaid this outstanding principal amount of the 2015 SODH USD Notes together with the accrued and unpaid interest upon its maturity on 16 February 2015.

On 10 December 2012, a written agreement (the “Trust Deed”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US\$500 million perpetual capital securities issued by SODH (the “Perpetual Securities”), pursuant to which the Perpetual Securities were issued. The Trust Deed provides that if (a) SODH fails to comply with any of the covenants set out in the terms and conditions of the Perpetual Securities and such breach continues or (b) SODH does not redeem the Perpetual Securities following the occurrence of a change of control (as defined in the terms and conditions of the Perpetual Securities) or fails to make or consummate an offer to purchase, the then-prevailing distribution rate shall be increased by 3% per annum with effect from (and including) the date on which such change of control occurs, provided that the maximum aggregate increase in the distribution rate shall be 3% per annum. Details of the transaction were set out in the announcement of the Company dated 11 December 2012.

On 24 May 2013, the Company announced that Infoshore International Limited and Shanghai Le Fu Properties Co., Ltd. obtained a three-year transferable HK\$ and US\$ term loan facility of up to HK\$1,000 million equivalent (the “Infoshore Loan”) and a three-year term loan facility of up to RMB 1,500 million (the “Shanghai Le Fu Loan”) respectively. Pursuant to the conditions of the Infoshore Loan and the Shanghai Le Fu Loan, there is a requirement that Mr. Lo and his family together beneficially owns at least 35% of the issued share capital of the Company and that Mr. Lo acts as the Chairman of the Company or maintains control over the Company. Details of the transaction were set out in the announcement of the Company dated 24 May 2013.

On 26 February 2014, a written agreement (the “2017 CNH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the RMB2,500 million 6.875% senior notes due 2017 issued by SODH (the “2017 CNH Notes”), pursuant to which the 2017 CNH Notes were issued. The 2017 CNH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2017 CNH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2017 CNH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 27 February 2014.

On 19 May 2014, two written agreements (respectively the “2018 SODH Indenture” and the “2020 SODH Indenture”) were entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US\$637,027,000 8.700% senior notes due 2018 (the “2018 SODH Notes”) and US\$202,487,000 9.750% senior notes due 2020 (the “2020 SODH Notes”) issued by SODH, pursuant to which the 2018 SODH Notes and 2020 SODH Notes were issued. The 2018 SODH Indenture and the 2020 SODH Indenture provide that upon the occurrence of a Change of Control (as defined in the 2018 SODH Indenture and 2020 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2018 SODH Notes and 2020 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 20 May 2014.

On 10 June 2014, a written agreement (the “2019 SODH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US\$550 million 9.625% senior notes due 2019 issued by SODH (the “2019 SODH Notes”), pursuant to which the 2019 SODH Notes were issued. The 2019 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2019 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2019 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 11 June 2014.

On 7 November 2014, the Group entered into a facility agreement with a syndicate of banks (the “Syndicate Loan Agreement”) whereby the Group was granted a two-year term loan facility divided into (1) tranche A in an aggregate amount equals to HK\$1,000 million; and (ii) tranche B in an aggregate amount equals to US\$121.5 million (the “Syndicated Loan”) for the general working capital requirement of the Group. Pursuant to the Syndicate Loan Agreement, there is a requirement that Mr. Lo (i) beneficially owns at least 35% of the issued share capital of the Company and be the single largest shareholder of the Company; (ii) be the Chairman of the Company and (iii) maintains management control of the Company. Details of the transaction were set out in the announcement of the Company dated 7 November 2014.

On 24 November 2014, a written agreement (the “2017 SODH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US\$500 million 8.70% senior notes due 2017 issued by SODH (the “2017 SODH Notes”), pursuant to which the 2017 SODH Notes were issued. The 2017 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2017 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2017 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 25 November 2014.

Any breach of the above obligations will cause a default in respect of the Perpetual Securities, the Infoshore Loan, the Shanghai Le Fu Loan, the 2017 CNH Notes, the 2018 SODH Notes, the 2020 SODH Notes, the 2019 SODH Notes, the Syndicated Loan and the 2017 SODH Notes and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB10,595 million at 30 June 2015.

Update on Information of Directors under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, an update on the biographical details of the Directors of the Company are as follows:

Name of Directors	Details of Changes
Mr. Vincent H. S. LO	<ul style="list-style-type: none"> – appointed as the Chairman of Hong Kong Trade Development Council with effect from 1 June 2015 – resigned as the Chairman of The Airport Authority Hong Kong with effect from 1 June 2015 – resigned as a non-official member of the Lantau Development Advisory Committee of the Development Bureau of Hong Kong with effect from 7 July 2015
Mr. Frankie Y. L. WONG	<ul style="list-style-type: none"> – appointed as the Non-executive Chairman of Walcom Group Limited with effect from 1 April 2015. – re-designated as the Executive Director of the Company with effect from 26 June 2015 – appointed as the Acting Chief Financial Officer of the Company with effect from 31 July 2015 – resigned as a director of Sichuan Shuangma Cement Co., Ltd. (四川雙馬水泥股份有限公司) with effect from 11 August 2015
Sir John R. H. BOND	<ul style="list-style-type: none"> – ceased to be an Advisory Director of Northern Trust Corporation with effect from 21 April 2015
Dr. William K. L. FUNG	<ul style="list-style-type: none"> – resigned as a director of Fung Global Institute with effect from 1 July 2015
Dr. Roger L. McCARTHY	<ul style="list-style-type: none"> – is currently a member of the US National Academies Board of Army Science and Technology and the National Academy of Engineering’s Finance and Budget Committee

Save as disclosed above, after having made all reasonable enquiry, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company’s annual report 2014.

Employees and Remuneration Policy

As of 30 June 2015, the number of employees in the Group was 3,348 (31 December 2014: 3,352); which included the headcount of China Xintiandi at 498 (31 December 2014: 459), the headcount of the property management business at 1,749 (31 December 2014: 1,759). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organized by professional bodies and educational institutes.

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

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Vincent H. S. LO
(Chairman)

Mr. Frankie Y. L. WONG
(Acting Chief Financial Officer)
(re-designated as an Executive Director on 26 June 2015)

Mr. Daniel Y. K. WAN
(resigned on 31 July 2015)

Mr. Philip K. T. WONG
(resigned on 26 June 2015)

Independent

Non-executive Directors

Sir John R. H. BOND

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. Roger L. McCARTHY

Mr. David J. SHAW
(appointed on 26 June 2015)

Mr. Frankie Y. L. WONG
(resigned on 26 June 2015)

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 C. BIDDLE

Finance Committee

Mr. Vincent H. S. LO *(Chairman)*

Mr. Frankie Y. L. WONG *(Vice Chairman)*

Sir John R. H. BOND

Dr. William K. L. FUNG

Professor Gary C. BIDDLE

Mr. Daniel Y. K. WAN
(resigned on 31 July 2015)

Mr. Philip K. T. WONG
(resigned on 26 June 2015)

Company Secretary

Mr. UY Kim Lun

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Freshfields Bruckhaus Deringer

Mayer Brown JSM

Registered Office

190 Elgin Avenue

George Town

Grand Cayman KY1-9005

Cayman Islands

Corporate Headquarters

26/F, Shui On Plaza

333 Huai Hai Zhong Road

Shanghai 200021

PRC

Place of Business in Hong Kong

34/F, Shui On Centre

6-8 Harbour Road

Wan Chai

Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company
(Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

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

Bank of China Limited

China Construction Bank Corporation

China Merchants Bank Co., Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of
China Limited

Standard Chartered Bank Limited

United Overseas Bank Limited

Stock Code

272

Website

www.shuionland.com

Investor Relations

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