SHUI ON LAND LIMITED
瑞安房地產有限公司

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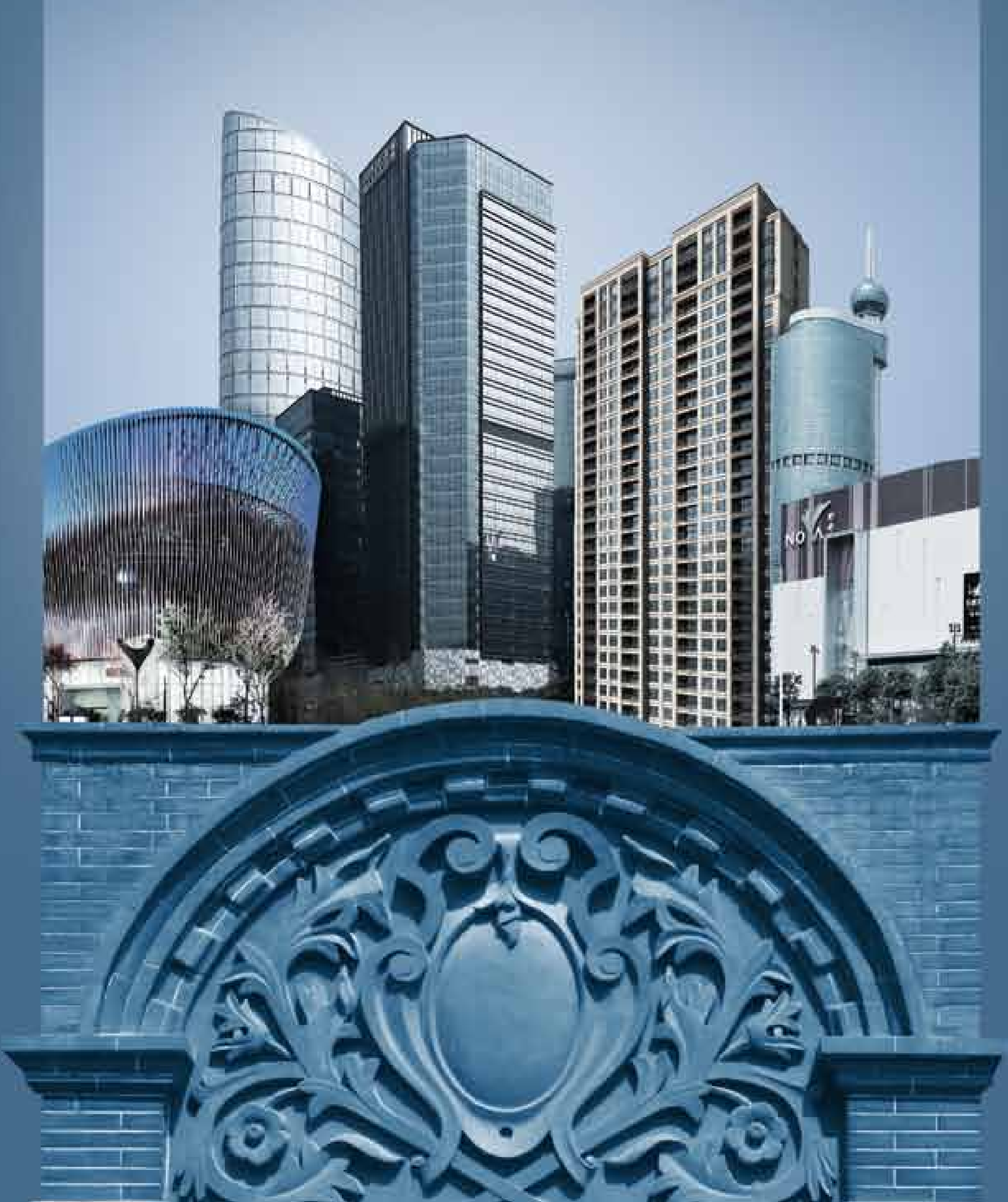
瑞安房地產
SHUI ON LAND

SOLID 穩健基礎 邁步前進 FOUNDATION FOR THE FUTURE



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 11.3 million sq.m. (9.0 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

Contracted sales for the first six months of 2016 totaled RMB16,642 million, a 410% year-on-year increase from the same period last year, making us very confident that we can attain our goal of RMB24,000 million in sales for the full year.

In the first half of 2016 we faithfully adhered to our new asset-light strategy to unlock the value of our asset portfolio while also realising returns from our long-term property projects.

We achieved exceptional sales performance during the period, despite a lower turnover at RMB1,681 million, which was impacted by the delivery schedule, and a drop of net profit to RMB1,128 million, marred by a sharp decline in non-cash fair value gain and an exchange loss due to the depreciation of the Renminbi. Nevertheless, the operating profit for the period recorded an 89% increase to RMB528 million. Gross profit increased 32% year-on-year to RMB761 million. Compared with the first half of 2015, gross profit margin increased 16 percentage points to 45% in the first half of 2016.

The Group's solid business foundation based on our quality development products in prime locations stood out amid China's divided property market, and enabled us to achieve good progress regardless. Our continued vigilance and adaptation in strategy also served to minimise negative impact stemming from the macro environment.

The Group has created a solid foundation based on which we can execute the next stages of the strategy and better capture future growth opportunities.

A DIVIDED MARKET

The Mainland property market saw a marked difference in price and performance between cities at various tiers. The market has risen very quickly in first tier cities like Shanghai and certain second tier cities including Wuhan. As a result of the surge in prices and an overheated market, the government introduced cooling measures in the relevant cities.

The gap between top tier cities and the rest of the market has widened. Restructuring in lower tier cities slowed down and de-stocking is not progressing as well as hoped, which does not bode well for these places. We expect the market to remain divided due to declining exports and stagnant consumption, which are having a particularly negative effect on smaller cities.

Our long-term development focus in Shanghai and certain second tier cities such as Wuhan paid off handsomely in this environment. Limited supplies and steady growth in these cities resulted in strong demand despite the implementation of new regulations and other market cooling measures.

REMARKABLE SALES PERFORMANCE

Shui On Land's reputation for development of premium quality properties in prime locations, coupled with the brand strength of our two Shanghai residential projects, Rui Hong Xin Cheng and Lakeville, produced an overwhelming market response.

Rui Hong Xin Cheng is one of the largest residential and commercial mixed-use developments within Shanghai's Inner Ring Road. Strategically located in the flourishing North Bund area, it is the perfect place to live, work and play. The development is now a landmark in Hongkou District boosting high-end business demand and serving the 2.5 million permanent population in the neighborhood. The Upper and The Gallery, phase 6 and 7 residential properties of Rui Hong Xin Cheng, are both adjacent to our Ruihong Tiandi commercial area, which includes many high-end retailers, entertainment, dining and recreation facilities. In February, the second batch of The Upper sold out on the first day, with an average selling price of RMB80,000 per square metre. The first batch of The Gallery, launched in June, had a unit subscription rate of 86% on the first day with an average selling price of RMB94,000 per square metre.

Lakeville Luxe, a premium residential project close by Xintiandi in downtown Shanghai, features a customisation service with smart home systems, luxurious modern design and two clubhouses. Its contracted sales ranked highest amongst high-end residential property sales in Shanghai in the first half of 2016.

Contracted sales for the first six months of 2016 totaled RMB16,642 million, a 410% year-on-year increase from the same period last year, making us very confident that we can attain our goal of RMB24,000 million in sales for the full year.

FOUNDATION FOR GROWTH

Following the Group's asset-light strategy, two en-bloc sales were completed in the first half of the year. In May 2016, we divested two new commercial properties at Wuhan Tiandi at an attractive price to realise the value of those properties. Another divestment of a residential land parcel within our Foshan Lingnan Tiandi community was completed in April and is expected to help expedite the development of the community.

The timely execution of our refined strategy helped us cope with the rapidly changing market conditions during the period. We are making good progress towards our target of accelerating asset churn, expediting project development, increasing returns and lowering gearing. This will place us in a stronger position to capture new opportunities.

We will continue to consider divesting other commercial assets and will balance such divestment opportunities against maintaining a long-term rental portfolio that delivers recurrent income and solid returns to our balance sheet, while sustaining an optimal gearing level.

INNOVATIVE STRATEGY

Evolving market conditions and changing consumer habits compel us to be innovative in our strategy.

Given the rise of e-commerce, we focused on creating experiential and entertaining spaces rather than developing pure retail spaces within our commercial properties. They include parent-child facilities as well as shops, entertainment and food and beverage outlets that provide a new lifestyle experience for the emerging and increasingly sophisticated middle-class. The high occupancy rates at our commercial properties speak to our brand and value to tenants. We will continue to target very specific markets and consumers in order to enhance the profitability of our properties.

Lakeville Luxe with the concept of full customisation service is highly recognised by customers

The Central Government and Shanghai's local leaders are encouraging innovation and entrepreneurship as the new development engines. We have 12 years of experience in this with the Shanghai Knowledge and Innovation Community, which creates an eco-system that fosters this new form of development and has proven to be one of the most successful examples of innovation in our portfolio. We are exploring new projects using the same model.

ADVANCING WITH CONFIDENCE

Global economic uncertainty grew in the first half of the year. Brexit clouds the already fragile global recovery, and, unavoidably, will have an impact on the Chinese economy. These developments cause us to expedite and deepen our strategy to accelerate asset divestment and churn while tapping new opportunities.

We expect the market in first tier cities to remain buoyant. Quality properties in good locations are still in high demand because there are few other investment options available. Shanghai and Wuhan will remain key drivers for our sales and performance in the second half of the year. In the medium term, we maintain the prediction to have a total GFA of 503,100 square metre saleable resources within our Taipingqiao and Rui Hong Xin Cheng communities in Shanghai over the next three to five years. We are confident that the reputation and market reception of our previous products will provide solid ground for these new resources to be recognised at their optimal value.

Our efforts in executing the refined strategy are expected to become more evident in the second half of the year.
The Group remains focused on the reform of our business model: our master-planned property model has been well received by the market and we shall adapt this proven model to match available space in city centres.

The refined strategy calls for the exploration of new opportunities too. We expect opportunities to be primarily in Shanghai and Wuhan. We are also evaluating partnerships that will allow the Group to lend its expertise in innovative development models and management of projects in other locations.

A NOTE OF THANKS

Our efforts in the past six months have further strengthened our solid footing, on which we can continue to successfully execute our refined strategy. I am excited about the progress and the bright and innovative future it could create for the Group.

I wish to personally thank our staff, directors, partners and investors who have all played important roles in bringing us to where we are. Change is never easy to manage. But, together, we have found a way through and to thrive.

We are in unpredictable economic and political times. The proven skills and dedication of our people give us the ability to weather the storm and emerge stronger and more profitable.

Vincent H. S. LO
Chairman

Hong Kong, 24 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Robust sales activities: The Group recorded robust property sales during the first half ended 30 June 2016 ("1H 2016"). Total contracted property sales including residential and commercial property sales and other assets disposal, increased by 410% to RMB16,642 million, compared to RMB3,263 million in the first half of 2015 ("1H 2015"), in which residential property sales accounted for 62% of the total sales. Average Selling Price ("ASP") increased by 38% to RMB22,500 per square metres ("sq.m."), compared to RMB16,300 per sq.m. in 1H 2015.

As of 30 June 2016, total locked-in sales (including disposal of commercial properties and contributions from its Dalian associates) was RMB21,325 million, with a total gross floor area ("GFA") of 717,000 sq.m.. These properties are scheduled for delivery in the second half of 2016 ("2H 2016") and beyond. In addition, as of 30 June 2016, a total GFA of 52,400 sq.m., amounting to a total value of RMB2,938 million was subscribed but not yet contracted.

Major transactions completed in accordance with our asset light strategy: The Group also completed RMB7,791 million of recognised property sales and other assets disposal, including the disposal of 3 Corporate Avenue in Shanghai Taipingqiao, Foshan Lingnan Tiandi Lot 4, and other sales. Going forward, the Group will continue to dispose of its assets at appropriate timings to unlock the value of the Group's property portfolio as well as to increase asset turnover and capital recycling.

Solid operating performance: For 1H 2016, the Group recorded turnover of RMB1,681 million, with property sales accounting for RMB728 million or 43% of the total, and rental and related income (including income from hotel operations) of RMB795 million representing 47% of total turnover. RMB158 million was contributed by the construction business and other businesses. The decline in turnover was mainly due to less residential completion during the period.

That said, the Group's operating performance is solid as shown by higher gross and operating profits. Gross profit increased 32% year-on-year to RMB761 million, while operating profit increased 89% year-on-year. Compared with 1H 2015, gross profit margin increased 16 percentage points to 45% in 1H 2016.

In 1H 2016, the Group recorded a net increase in fair value of its remaining investment property portfolio, totalling RMB519 million. Shanghai Rui Hong Xin Cheng ("RHXC") accounted for a total of RMB420 million or 81% of the total increase, which was mainly contributed by the fair value gain of Hall of the Moon (Ruihong Tiandi Lot 3). A total leasable and saleable GFA of 1,631,000 sq.m. of investment properties held by the Group was carried at valuation, accounting for 26% of the total landbank of the Group (excluding landbank of Dalian associates).

Net profit declined mainly due to lower fair value gain, and exchange loss: Profit for the period was RMB1,128 million in 1H 2016 compared to RMB1,535 million in 1H 2015. Profit attributable to shareholders was RMB768 million in 1H 2016, compared to RMB1,195 million in 1H 2015. The lower profit was mainly due to i) the decrease in fair value gain of investment properties by approximately 81% to RMB519 million in 1H 2016, as compared to RMB2,797 million in 1H 2015. The higher fair value gain in 1H 2015 was driven by realisation of the disposal value of 1 & 2 Corporate Avenue; ii) exchange loss (both realised and unrealised) of RMB350 million as a result of the depreciation of RMB.

The Group's core earnings was RMB1,321 million in 1H 2016 backed by the substantial contribution from the disposal of 3 Corporate Avenue in Shanghai. To unlock the value of its portfolio, the Group will continue to explore opportunities to dispose of its commercial properties.

Strengthening balance sheet: The Group's total assets as of 30 June 2016 were RMB118,914 million, with total cash and bank deposits were RMB11,316 million and the net gearing ratio of 75%, a decrease of 6% over 31 December 2015 and 12% decline over 30 June 2015.

PROPERTY SALES

RECOGNISED PROPERTY SALES AND OTHER ASSETS DISPOSAL

The table below summarises by project the recognised sales (stated after the deduction of business/value-added tax and other surcharges/taxes, if applicable) for 1H 2016 and 1H 2015:

Project	1H 2016 Sales revenue	1H 2016 GFA sold	1H 2016 ASP[1]	1H 2015 Sales revenue	1H 2015 GFA sold	1H 2015 ASP[1]
	RMB' Million	sq.m.	RMB per sq.m.	RMB' Million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
3 Corporate Avenue	5,700	87,300	65,300	–	–	–
THE HUB Hotel	–	–	–	910	45,000	21,400
Shanghai RHXC						
Residential	4	100	42,400	101	2,000	53,500
Retail	47	1,000	49,800	–	–	–
ShanghaiKIC						
Small Office	–	–	–	3	100	31,800
Residential	–	–	–	8	200	42,400
KIC Corporate Avenue Office	–	–	–	43	1,500	30,400
Wuhan Tiandi						
Site B Retail	–	–	–	13	300	45,900
Chongqing Tiandi						
Residential[2]	141	16,500	11,000	331	35,200	12,100
Office & Retail	56	1,900	31,100	54	2,500	22,900
Foshan Lingnan Tiandi						
Townhouses	26	1,300	20,800	118	4,800	26,100
Low/mid/high-rises	430	37,000	12,300	106	7,900	14,200
Retail	36	1,100	34,500	36	500	76,400
Other Assets Disposal (Lot 4)	1,693	231,500	7,300	–	–	–
Subtotal	8,133	377,700	21,600	1,723	100,000	18,300
Carparks and others	46	–	–	178	–	–
Dalian Tiandi[3]						
Mid-/high-rises	330	44,700	7,800	127	14,400	9,400
Villas	10	1,100	10,000	16	1,300	13,100
Total	8,519	423,500	20,300	2,044	115,700	18,700
Recognised as:						
– property sales in turnover of the Group[4]	728	57,200	13,500	951	53,000	19,000
– disposal of investment properties[4]	58	1,700	36,500	40	2,000	21,200
– disposal of hotel properties	–	–	–	910	45,000	21,400
– disposal of equity in subsidiaries holding commercial properties	5,700	87,300	65,300	–	–	–
– other assets disposal	1,693	231,500	7,300	–	–	–
– turnover of associates	340	45,800	7,900	143	15,700	9,700
Total	8,519	423,500	20,300	2,044	115,700	18,700

1 The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of business/value-added tax and other surcharges/taxes.

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

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

4 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".

Lakeville has become a well-received brand of high-end residential property

For 1H 2016, total recognised property sales, including property sales recognised as turnover, disposal of investment properties, disposal of equity in subsidiaries holding commercial properties, other assets disposal and turnover of associates, was RMB8,519 million (after deduction of business/value-added tax and other surcharges/taxes, if applicable), representing an increase of 317% for a total GFA of 423,500 sq.m.. ASP increased by 9% to RMB20,300 per sq.m. compared to 1H 2015. The changes were mainly due to contribution from the disposal of 3 Corporate Avenue in Shanghai.

Property sales recognised as turnover (after deduction of business/value-added tax and other surcharges/taxes, if applicable) decreased by 23% to RMB728 million, on a total GFA sold of 57,200 sq.m.. ASP decreased by 29% to RMB13,500 per sq.m.. The decrease in ASP was mainly due to changes in the composition of recognised properties sales from different projects.

Property sales recognised as disposal of investment properties was RMB58 million, with a total GFA of 1,700 sq.m..

Property sales recognised as disposal of equity in subsidiaries holding commercial properties amounting to RMB5,700 million were contributed by the *en-bloc* sales of 3 Corporate Avenue in Shanghai Taipingqiao with a total GFA of 87,300 sq.m..

Property sales recognised as other assets disposal amounted to RMB1,693 million in Foshan Lingnan Tiandi for a total GFA of 231,500 sq.m..

Recognised property sales for Dalian Tiandi stood at RMB340 million, and its related profit or loss was reflected in the share of losses of associates and joint ventures, to the extent of the Group's interest in the project.

CONTRACTED PROPERTY SALES AND OTHER ASSETS DISPOSAL

The table below provides an analysis by project of contracted sales (stated before the deduction of business/value-added tax and other surcharges/taxes) for 1H 2016 and 1H 2015:

Project	1H 2016			1H 2015		
	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 Taipingqiao						
Lakeville Luxe (Lot 116)	2,107	15,900	132,500	–	–	–
Shanghai RHXC	5,363	64,700	82,900	4	70	57,100
Wuhan Tiandi						
Site B Residential	1,451	45,600	31,800	975	29,900	32,600
Chongqing Tiandi						
Residential[1]	683	72,400	11,500	741	81,700	11,100
Foshan Lingnan Tiandi						
Townhouses	–	–	–	55	2,300	23,900
Low-/mid-/high-rises	344	26,600	12,900	324	27,000	12,000
Dalian Tiandi[2]						
Mid-/high-rises	348	43,400	8,000	237	26,900	8,800
Villas	17	1,500	11,300	18	1,500	12,000
Carparks and others	21	–	–	181	–	–
Subtotal for residential property sales	10,334	270,100	38,300	2,535	169,370	15,000
Commercial property sales:						
Shanghai KIC						
1-2 KIC Corporate Avenue (en-bloc)	–	–	–	601	22,800	26,400
Office	–	–	–	24	760	31,600
Wuhan Tiandi						
3 Corporate Avenue (Lot A3 Office)	1,134	55,100	20,600	–	–	–
Lot A1 (Office)	3,365	177,100	19,000	–	–	–
Site B Retail	–	–	–	14	290	48,300
Chongqing Tiandi						
Office	58	4,600	12,600	–	–	–
Retail	10	500	20,000	48	1,700	28,200
Foshan Lingnan Tiandi						
Retail	36	1,300	27,700	–	–	–
Kindergarten	–	–	–	41	5,800	7,100
Carparks and others	12	–	–	–	–	–
Subtotal for commercial property sales	4,615	238,600	19,300	728	31,350	23,200
Other asset disposal:						
Foshan Lingnan Tiandi (Lot 4)	1,693	231,500	7,300	–	–	–
Grand total	16,642	740,200	22,500	3,263	200,720	16,300

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

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

Rendering of Rui Hong Xin Cheng • The Gallery

KIC Corporate Avenue provides a comfortable working environment

The Group's contracted property sales and other assets disposal of the Group jumped 410% to RMB16,642 million in 1H 2016, compared to RMB3,263 million in 1H 2015. Residential property sales accounted for 62%, commercial property sales accounted for 28% and the remaining 10% was contributed by other assets disposal. ASP increased by 38% to RMB22,500 per sq.m. in 1H 2016, compared to RMB16,300 per sq.m. in 1H 2015.

Contracted property sales from residential properties and carparks (including those from Dalian associates) was RMB10,334 million, an increase of 308% over RMB2,535 million in 1H 2015. The increase was mainly due to increased contributions by residential properties sales from the Shanghai projects, which amounted to RMB7,470 million in 1H 2016, compared to RMB4 million in 1H 2015. This included the successful new launches of the second batch of The Upper (Lot 9) and the first batch of The Gallery (Lot 2) at Shanghai RHXC as well as the second and third batches of Lakeville Luxe at Shanghai Taipingqiao (Lot 116). Sales performance of Wuhan and Dalian also picked up, riding on the stimulus policies announced by the Central Government of China, including the relaxation of Home Purchase Restriction Policies and interest rate cuts since mid-2015. Contracted residential property sales in Wuhan and Dalian in 1H 2016 increased by 49% and 43% respectively, compared to 1H 2015.

ASP of Shanghai RHXC in 1H 2016 reached RMB82,900 per sq.m., an increase of 45% compared to 1H 2015. ASP of Wuhan Tiandi residential apartments remained stable. Units of Wuhan Tiandi residential apartments sold in 1H 2016 comprised mainly non river-facing apartments, while the units sold in 1H 2015 were mainly river-facing apartments. The ASPs of Foshan and Chongqing picked-up in 1H 2016, an improvement from 1H 2015 levels.

In 1H 2016, contracted commercial property sales comprising a total GFA of 238,600 sq.m. amounted to RMB4,615 million, an increase of 534% compared to RMB728 million in 1H 2015. This included two office buildings located at Lots A1 and A3 at Wuhan Tiandi with an estimated saleable GFA of 232,200 sq.m. for office use, which were disposed for RMB4,499 million.

In addition to the contracted property sales and other assets disposal outlined above, as of 30 June 2016, a total GFA of 52,400 sq.m., amounting to a total value of RMB2,938 million, was subscribed but not yet contracted. They were mainly contributed by the two Shanghai projects, namely RHXC The Upper and The Gallery, which accounted for RMB1,681 million, and Shanghai Taipingqiao Lakeville Luxe, which accounted for RMB831 million of subscribed sales.

RESIDENTIAL GFA AVAILABLE FOR SALE AND PRE-SALE IN 2H 2016

The Group has approximately 362,600 sq.m. of residential GFA spanning six projects, available for sale and pre-sale during 2H 2016, as summarised below:

Project		Available for sale and pre-sale in 2H 2016
		GFA in sq.m.
Shanghai Taipingqiao	Lakeville Luxe (Lot 116) (High-rises)	68,700
Shanghai RHXC	High-rises	87,400
Wuhan Tiandi	High-rises	4,300
Chongqing Tiandi	High-rises	89,300
Foshan Lingnan Tiandi	Townhouses and Low-/high-rises	14,200
Dalian Tiandi	Villas, Mid-/high-rises and Service Apartments	98,700
Total		362,600

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

REMARKABLE SALES PERFORMANCE

RMB21.3 billion locked-in sales are scheduled for delivery from 2H 2016, which has set a good financial foundation for the Group's growth.

PROPERTY DEVELOPMENT PROGRESS

PROPERTY COMPLETED IN 1H 2016 AND DEVELOPMENT PLANS FOR 2H 2016 AND 2017

The table below summarises the projects with construction completed in 1H 2016 and construction work that is planned for completion in 2H 2016 and 2017:

Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
Actual delivery in 1H 2016							
Foshan Lingnan Tiandi	–	–	2,000	–	2,000	–	2,000
Dalian Tiandi[1]	47,000	–	–	–	47,000	–	47,000
Total	47,000	–	2,000	–	49,000	–	49,000
Planned for delivery in 2H 2016							
Shanghai Taipingqiao	45,000	–	–	–	45,000	–	45,000
Shanghai RHXC	189,000	–	3,000	–	192,000	76,000	268,000
Shanghai KIC	–	–	–	22,000	22,000	–	22,000
Wuhan Tiandi	89,000	55,000	114,000	–	258,000	149,000	407,000
Chongqing Tiandi	133,000	14,000	15,000	–	162,000	81,000	243,000
Dalian Tiandi[1]	31,000	–	13,000	–	44,000	30,000	74,000
Total	487,000	69,000	145,000	22,000	723,000	336,000	1,059,000
Planned for delivery in 2017							
Shanghai Taipingqiao	43,000	–	–	–	43,000	–	43,000
Wuhan Tiandi	41,000	–	71,000	–	112,000	78,000	190,000
Chongqing Tiandi	111,000	–	14,000	–	125,000	53,000	178,000
Dalian Tiandi[1]	26,000	29,000	1,000	13,000	69,000	51,000	120,000
Total	221,000	29,000	86,000	13,000	349,000	182,000	531,000

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

By way of 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

Construction work on Lakeville Luxe (Lot 116) with a total GFA of 88,000 sq.m. commenced in the second half of 2014 ("2H 2014"). The first batch of pre-sale launched in December 2015 and the second and third batches were successfully launched in 1H 2016. The development is planned for progressive completion from late 2016 to 2017.

SHANGHAI RHXC

The Upper (Lot 9), with a total GFA of 85,000 sq.m. of residential apartments and 2,000 sq.m. of ancillary retail, commenced construction in 2H 2014 and the first batch of units were launched for pre-sale in October 2015 at an ASP of RMB71,000 per sq.m. while the remaining units were launched for pre-sale in February 2016 at an ASP of RMB80,000 per sq.m.. The development is scheduled for completion and delivery from 2H 2016 to 2017. The Gallery (Lot 2), with a total GFA of 104,000 sq.m. of residential apartments and 1,000 sq.m. of ancillary retail, the first batch was launched for pre-sale in June 2016 at an ASP of RMB94,000 per sq.m. and is scheduled for completion in late 2016 and delivery from 2017. Hall of the Moon (Ruihong Tiandi Lot 3) with a total GFA of 64,000 sq.m. was completed in December 2015. Its opening is planned for late 2016.

SHANGHAI KIC

A hotel building located at Lot 311 with a total GFA of 22,000 sq.m. is under construction and is scheduled for completion in 2H 2016.

WUHAN TIANDI

Construction of HORIZON at Wuhan Tiandi, a shopping mall at Lots A1/A2/A3 with a total GFA of 114,000 sq.m. and 3 Corporate Avenue (Lot A3), with a total GFA of 55,000 sq.m. of office, are under construction and are scheduled for completion in 2H 2016. Construction work for the residential development at La Riva (Lot B14) at Wuhan Tiandi, which has a total GFA of 89,000 sq.m., commenced in 2014 and is planned for completion in 2H 2016.

Construction work of Park View (Lot B5) for a total GFA of 41,000 sq.m. of residential apartments commenced in 2015 and is scheduled for completion in 2017. Park Place (Lot B4/5 Retail) with a total GFA of 71,000 sq.m. of retail, also commenced construction in 2015 and is planned for completion in 2017.

CHONGQING TIANDI

The Riviera VI stage 2 (Lot B16 stage 2) and The Riviera VII (Lot B9), with an aggregated GFA of 162,000 sq.m., are currently under construction and are scheduled for completion in 2H 2016. The Riviera VIII (Lot B6) with a total GFA of 125,000 sq.m. commenced construction in 2015 and is scheduled for completion in 2017.

FOSHAN LINGNAN TIANDI

Construction work at NOVA shopping mall at Lot E with a GFA of 73,000 sq.m. of retail and 15,000 sq.m. of office was completed in 2015. The shopping mall commenced operation in 1H 2016.

DALIAN TIANDI

At Huangnichuan (Site C of Dalian Tiandi), a total of 168,000 sq.m. are under construction scheduled for completion from 2H 2016 to 2020. At Hekou Bay (Site A of Dalian Tiandi), a total GFA of 125,000 sq.m. are under construction, and planned for progressive completion from 2H 2016 to 2018.

By way of a cautionary note, the actual completion date depends on and will be affected by construction progress, changes in market environments, changes in government regulations and other factors. The Group plans its project construction in advance while adapting to government policy changes, as well as implemented operational tactics to enhance turnover and increase development efficiency. The Group will nevertheless, adjust the progress of construction, delivery plan and launch schedules, in accordance with the sales conditions of each project, and with respect to the rapid changing market conditions.

INVESTMENT PROPERTY

Rental and related income (including income from hotel operations) increased by 3% to RMB795 million in 1H 2016 compared to 1H 2015. Excluding the income from hotel operations, the sum of RMB759 million was generated by rental and related income from the investment properties, representing a growth rate of 27% if excluding the rental & related income contribution of 1 & 2 Corporate Avenue which was disposed in 2015. The increase reflected continued leasing progress made at the progressively commenced operations of THE HUB at Shanghai Hongqiao Transportation Hub and Shanghai KIC, as well as rental growth from the existing completed investment property portfolio.

Occupancy levels of the office property portfolio increased, driven by leasing activity at the office properties of THE HUB and Shanghai KIC, reflecting progress made following their completion and transferred to the completed investment property portfolio in late 2014. In particular, the combined occupancy rate of the four office towers of THE HUB reached 91% as of 30 June 2016. Key new leases executed during the 1H 2016, include Naked Retreat, Lion Travel and ANTA Sport Products.

Occupancy levels of the completed retail portfolio also increased, led by robust leasing activities at THE HOUSE of Shanghai Taipingqiao and NOVA at Foshan Lingnan Tiandi. Occupancy rates of these two operating properties had reached 96% and 73% respectively, with tenants progressively moving in since late 2015. A majority of the tenants have since commenced operations in 1H 2016. The asset enhancement initiative ("AEI") project for THE HOUSE, which has a leasable GFA of 7,000 sq.m., was completed in late 2015 and its anchor tenant Naked Hub, commenced its lease in June 2016. NOVA, a shopping mall with a total leasable GFA of 73,000 sq.m. can accommodate over 150 shops. The shopping mall offers a wide tenants mix and its anchor tenants such as UA Cinema, blt Supermarket, H&M, GAP, Eat'n Fun Food Court, and EF Education First.

Rental income and the related profit or loss from investment properties located in Dalian Tiandi was reflected in the share of losses of associates and joint ventures, to the extent of the Group's interest in the project.

The table below provides an analysis of the rental and related income from investment properties for 1H 2016, 1H 2015 and 1H 2014, and the percentage of leases in GFA by property with lease expiring from 2H 2016 to 2018:

Project	Product	Leasable GFA	Rental & related income RMB'million			Year on year change		Leases expire in % of GFA		
		sq.m.	1H 2016	1H 2015	1H 2014	1H 2016	1H 2015	2H 2016	2017	2018
Shanghai Taipingqiao										
Shanghai Xintiandi	Office/Retail	54,000	164	148	147	11%	1%	10%	14%	25%
Xintiandi Style	Retail	26,000	40	37	33	8%	12%	17%	35%	21%
1 & 2 Corporate Avenue[1]	Office/Retail	–	–	136	121	–	12%	–	–	–
3 Corporate Avenue[2]	Office/Retail	87,000	15	4	–	275%	–	–	–	–
Shui On Plaza[3]	Office/Retail	52,000	75	70	61	7%	15%	2%	71%	13%
Langham Xintiandi Hotel Retail Portion[4]	Retail	–	–	–	7	–	–	–	–	–
THE HUB	Office/Retail	244,000	125	80	15	56%	433%	1%	3%	11%
Shanghai RHXC[5]	Retail	64,000	38	35	31	9%	13%	4%	18%	17%
Shanghai KIC[3]	Office/Retail	219,000	166	115	104	44%	11%	13%	19%	30%
Hangzhou Xihu Tiandi[4]	Retail	–	–	–	8	–	–	–	–	–
Wuhan Tiandi	Retail	46,000	55	43	33	28%	30%	20%	14%	19%
Chongqing Tiandi	Retail	134,000	23	22	17	5%	29%	0%	3%	9%
Foshan Lingnan Tiandi	Retail	139,000	58	46	37	26%	24%	5%	5%	5%
Total		1,065,000[4,5]	759	736	614	3%	20%	7%	15%	17%

1 1 & 2 Corporate Avenue were disposed on 31 August 2015.

2 3 Corporate Avenue was disposed of on 2 February 2016 and therefore only approximately one month rental and related income was recognised and reflected.

3 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.).

4 Shanghai Langham Xintiandi Hotel Retail Portion and Hangzhou Xihu Tiandi were disposed of in 2014 and excluded from leasable GFA calculation in this table.

5 Hall of the Moon at Shanghai RHXC with a total GFA of 64,000 sq.m. was newly completed in December 2015. It is currently under pre-leasing for operation in late 2016. It was excluded in the table for comparison because there was no contribution to rental and related income in 1H 2016.

Foshan Lingnan Tiandi blends traditional culture with modern life

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

	Leasable GFA (sq.m.)			Occupancy rate		
Project	Office	Retail	Total	30 June 2016	31 December 2015	Group's interest
Completed before 2016						
Shanghai Taipingqiao						
Shanghai Xintiandi	4,000	43,000	47,000	98%	99%	78.11%
THE HOUSE	–	7,000	7,000	96%	N/A	78.11%
Xintiandi Style	–	26,000	26,000	99%	99%	77.33%
Shanghai Shui On Plaza	32,000	28,000	60,000	98%	96%	62.49%[1]
THE HUB						
Office Towers 1, 2, 3 & 5	93,000	4,000	97,000	91%	80%	78.11%
The Mall and Xintiandi[2]	–	147,000	147,000	74%	69%	78.11%
Shanghai RHXC						
The Palette 1, 2, 3 and 5	–	45,000	45,000	100%	96%	99.00%[3]
Hall of the Stars (Ruihong Tiandi Lot 6)	–	19,000	19,000	92%	96%	99.00%
Hall of the Moon (Ruihong Tiandi Lot 3)[4]	–	64,000	64,000	0%	N/A	99.00%
Shanghai KIC						
1-3 and 5-12 KIC Plaza	95,000	42,000	137,000	92%	94%	86.80%
KIC Village R1 and R2	11,000	11,000	22,000	92%	98%	86.80%
5, 6 and 7 KIC Corporate Avenue	53,000	8,000	61,000	78%	74%	99.00%
KIC Village 12-8	5,000	–	5,000	100%	N/A	86.80%
Wuhan Tiandi						
Wuhan Xintiandi	–	46,000	46,000	98%	97%	78.11%
Chongqing Tiandi						
The Riviera I, II & III	–	6,000	6,000	100%	88%	99.00%
Chongqing Tiandi (Lot B3/01)	–	49,000	49,000	79%	63%	99.00%
2 Corporate Avenue Retail	–	11,000	11,000	100%	100%	99.00%
6, 7 and 8 Corporate Avenue Retail	–	68,000	68,000	84%	76%	99.00%
Foshan Lingnan Tiandi						
Lingnan Tiandi (Phase 1 & 2)	–	49,000	49,000	83%	85%	100.00%
NOVA	–	73,000	73,000	73%	N/A	100.00%
Shui On New Plaza (Lot D retail podium)	–	15,000	15,000	2%	2%	100.00%
Dalian Tiandi						
Aspen and Maple Towers (Site D22)	42,000	–	42,000	73%	79%	48.00%
Acacia and Lynwood Towers (Site D14)	52,000	–	52,000	77%	77%	48.00%
Ambow (Training School)	113,000	–	113,000	100%	100%	48.00%
IT Tiandi (D10 Retail)	–	41,000	41,000	53%	59%	48.00%
Subtotal	500,000	802,000	1,302,000			
New completions in 1H 2016						
Foshan Lingnan Tiandi						
Lot E Metro Corridor	–	2,000	2,000			100.00%
Subtotal	–	2,000	2,000			
As of 30 June 2016, investment properties held by:						
– Subsidiaries of the Group	293,000	763,000	1,056,000			
– Associated companies	207,000	41,000	248,000			
Total leasable GFA as of 30 June 2016	500,000	804,000	1,304,000[5]			
Total leasable GFA as of 31 December 2015	554,000	815,000	1,369,000[5]			

1 The Group has a 62.49% interest in Shui On Plaza, except for an additional GFA of 2,000 sq.m. acquired in 2015, which the Group has an effective interest of 78.11%.

2 Including retail space in the basement.

3 The Group has 99.0% in The Palette 2, 3 & 5 and 100% interest in The Palette 1.

4 Hall of the Moon at Shanghai RHXC with a total GFA of 64,000 sq.m. was newly completed in December 2015. It is currently under pre-leasing for operation in late 2016.

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

The night view of THE HUB Performance Centre

The table below summarises the carrying value of the remaining investment properties at valuation as of 30 June 2016 together with the change in fair value for 1H 2016:

Project	Leasable GFA	Increase/ (decrease) in fair value for 1H 2016	Carrying value as of 30 June 2016	Carrying value per GFA	Valuation gain/(loss) to carrying value
	sq.m.	RMB'million	RMB'million	RMB per sq.m.	%
Completed investment properties at valuation					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	80,000	15	7,179	89,700	–
Shui On Plaza	52,000	–	3,481	66,900	–
THE HUB	244,000	46	8,482	34,800	1%
Shanghai RHXC	144,000	420	4,663	32,400	9%
Shanghai KIC	219,000	78	6,690	30,500	1%
Wuhan Tiandi	46,000	53	1,699	36,900	3%
Chongqing Tiandi	134,000	(68)	1,783	13,300	(4%)
Foshan Lingnan Tiandi	139,000	15	4,137	29,800	–
Subtotal	1,058,000	559	38,114	36,000	1%
Investment properties under development at valuation					
Wuhan Tiandi	185,000	32	3,829	20,700	1%
Chongqing Tiandi	388,000	(72)	1,957	5,000	(4%)
Subtotal	573,000	(40)	5,786	10,100	(1%)
Total of the remaining investment properties at valuation	1,631,000	519	43,900	26,900	1%

Note: Hotels for operation and self-use properties are classified as property, plant and equipment in the condensed consolidated statement of financial position, and leasable GFA of which is excluded from this table.

UNLOCK ASSET VALUE

We will continue to consider divesting commercial assets at opportune times to unlock the value of the property portfolio as well as to increase asset turnover and improve capital recycling.

The carrying value of the completed investment properties (excluding hotels for operation and self-use properties) with a total GFA of 1,058,000 sq.m. was RMB38,114 million as of 30 June 2016. Of this sum, RMB559 million (representing 1% of the carrying value) arose from increased fair value during 1H 2016. A contributing factor was primarily due to the newly completed property in late 2015 - Hall of the Moon at Shanghai RHXC, with a total leasable GFA of 64,000 sq.m. which is currently under pre-leasing for commencement of operations in late 2016. The properties located in Shanghai, Wuhan, Chongqing and Foshan, respectively contributed 80%, 4%, 5% and 11% of the carrying value.

The carrying value of the investment properties under development at valuation for a total GFA of 573,000 sq.m. was RMB5,786 million as of 30 June 2016.

Except for the above mentioned investment properties at valuation, the carrying value of the investment properties under development and for further development at cost was RMB12,383 million.

LANDBANK

As of 30 June 2016, the Group's landbank, including the contribution of its Dalian associates, stood at a total GFA of 11.3 million sq.m. (comprising 9.0 million sq.m. of leasable and saleable area, and 2.3 million sq.m. for clubhouses, car parking spaces and other facilities) spread across eight development projects located in the prime areas of five major PRC cities, namely: Shanghai, Wuhan, Chongqing, Foshan and Dalian.

Of the total leasable and saleable GFA of 9.0 million sq.m., the sum of 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 3.3 million sq.m. was under development, and the remaining 4.2 million sq.m. was held for future development.

RELOCATION OF SHANGHAI RHXC AND TAIPINGQIAO

The relocation of RHXC Lots 10, 1 & 7 is in progress. 99%, 97% and 94% of residents in Lot 10, Lot 1 and Lot 7, have signed relocation agreements respectively as of 30 June 2016. 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. As of 30 June 2016, a total amount of RMB10,370 million had been paid. The estimated outstanding relocation cost of RMB1,160 million is estimated to be paid progressively in 2016 and 2017. The relocation of these three sites is planned to be completed from 2016 to 2017.

The relocation of Taipingqiao Lot 118 started in the fourth quarter of 2014 and 99% of residents had signed relocation agreement as of 30 June 2016. As of 30 June 2016, relocation cost of RMB4,800 million had been paid. The estimated outstanding relocation cost of RMB500 million is estimated to be paid progressively in 2016 and 2017. Lot 118 is planned to be developed into a 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 final proposal and agreement terms among relevant parties.

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

Project	Percentage of relocation as of 30 June 2016	Leasable and saleable GFA	Relocation cost paid as of 30 June 2016	Estimated outstanding relocation cost as of 30 June 2016	Estimated relocation completion year
		sq.m.	RMB'million	RMB'million	
RHXC Lot 10	99%	328,000	2,571	360	2016-2017
RHXC Lot 1 (Residential)	97%	110,000	3,899	400	2017
RHXC Lot 7 (Residential)	94%	159,000	3,900	400	2017
Taipingqiao Lot 118 (Residential)	99%	80,000	4,800	500	2016-2017
Total		677,000	15,170	1,660	

By way of a cautionary note, the actual completion date and relocation cost of the abovementioned sites depends on and will be affected by changes in government regulations, negotiations with relevant parties and other factors. The above represents the best estimates as of the reporting period.

Foshan Lingnan Tiandi provides a new fashionable lifestyle and has become a popular leisure location for both domestic and international guests

THE HOUSE at Shanghai Taipingqiao

The Group's total landbank as of 30 June 2016, including that of its associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA: Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	%
Completed properties:								
Shanghai Taipingqiao	–	36,000	104,000	–	**140,000**	59,000	**199,000**	99.00%[1]
Shanghai RHXC	–	–	128,000	16,000	**144,000**	94,000	**238,000**	100.00%[2]
Shanghai KIC	–	169,000	64,000	–	**233,000**	152,000	**385,000**	86.80%[3]
THE HUB	–	93,000	170,000	–	**263,000**	72,000	**335,000**	78.11%
Wuhan Tiandi	–	–	46,000	–	**46,000**	25,000	**71,000**	78.11%
Chongqing Tiandi	6,000	–	144,000	–	**150,000**	164,000	**314,000**	99.00%
Foshan Lingnan Tiandi	22,000	15,000	158,000	43,000	**238,000**	174,000	**412,000**	100.00%
Dalian Tiandi	69,000	207,000	41,000	–	**317,000**	154,000	**471,000**	48.00%[4]
Subtotal	97,000	520,000	855,000	59,000	1,531,000	894,000	2,425,000	
Properties under development:								
Shanghai Taipingqiao	168,000	–	–	–	**168,000**	39,000	**207,000**	99.00%[1]
Shanghai RHXC	456,000	145,000	188,000	–	**789,000**	203,000	**992,000**	99.00%
Shanghai KIC	–	–	–	22,000	**22,000**	–	**22,000**	99.00%
Wuhan Tiandi	130,000	187,000	185,000	45,000	**547,000**	243,000	**790,000**	100.00%
Chongqing Tiandi	383,000	291,000	151,000	25,000	**850,000**	312,000	**1,162,000**	99.00%
Foshan Lingnan Tiandi	–	–	7,000	–	**7,000**	–	**7,000**	100.00%
Dalian Tiandi	413,000	206,000	188,000	143,000	**950,000**	317,000	**1,267,000**	48.00%[4]
Subtotal	1,550,000	829,000	719,000	235,000	3,333,000	1,114,000	4,447,000	
Properties for future development:								
Shanghai Taipingqiao	86,000	174,000	118,000	38,000	**416,000**	44,000	**460,000**	99.00%
Shanghai RHXC	83,000	69,000	78,000	–	**230,000**	2,000	**232,000**	100.00%
Wuhan Tiandi	243,000	166,000	91,000	7,000	**507,000**	4,000	**511,000**	100.00%
Chongqing Tiandi	289,000	143,000	181,000	50,000	**663,000**	202,000	**865,000**	99.00%
Foshan Lingnan Tiandi	147,000	450,000	107,000	80,000	**784,000**	2,000	**786,000**	100.00%
Dalian Tiandi[5]	394,000	867,000	262,000	42,000	**1,565,000**	–	**1,565,000**	48.00%
Subtotal	1,242,000	1,869,000	837,000	217,000	4,165,000	254,000	4,419,000	
Total landbank GFA	2,889,000	3,218,000	2,411,000	511,000	9,029,000	2,262,000	11,291,000	

1 The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, Xintiandi Style, Shui On Plaza and Lot 116, in which the Group has an effective interest of 78.11%, 77.33%, 62.49% and 56.7456%, 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 78.11%.

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

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

4 The Group has a 48.0% effective interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02a in which the Group has a 44.72% effective interest.

5 Dalian Tiandi is expected to have a landbank of 3.3 million in GFA. As of 30 June 2016, approximately 3.0 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.

MARKET OUTLOOK

Global economic growth came under renewed downward pressure in the first half of 2016 following a Brexit referendum that threw the United Kingdom and Eurozone's economic outlook into question. Despite a strengthening domestic economy, the Federal Reserve Board has held off on hiking United States interest rates, citing a potential adverse spill over effect from a slowdown of growth momentum in Europe. Political uncertainty from the Brexit vote and continued financial market volatility led the IMF to lower its global economic forecast by 0.1% to 3.1% for 2016, and projected further softening of China's economic growth from 6.7% in the first half to 6.6% for the full year. Faced with immense global economic headwinds and uncertainties, China moves to implement a development strategy encouraging entrepreneurship and innovation with an aim to unleash new growth drivers. The authorities have indicated that cutting excess industrial capacity is a priority and the government will continue to push forward with supply-side structural reform.

The residential property market turned in a strong performance in the first half under looser funding conditions and more accommodative monetary policies. Nationwide housing transactions in the first six months, in terms of area and sales value, registered a year-on-year increase of 28.6% and 44.4%, respectively. Residential land prices rose to RMB5,662 per sq.m. in the second quarter, a 5.7% year-on-year increase, according to Ministry of Land and Resources data. Despite the spectacular performance, there are early signs that the momentum of housing price growth is peaking. In June 2016, 55 out of 70 cities registered month-on-month price increases, which is five fewer than in the previous month. This retreat is expected to continue through the second half unless the PBOC intervenes with an interest rate cut.

In the currency market, the RMB exchange rate has weakened following the Brexit vote in June, dropping to around 6.7 to the US dollar in July, which represents 2.6% devaluation from where it started the year. Given a strengthening US economy, there would be room for the US dollar to strengthen, and the RMB could weaken further as a result.

Foshan Lingnan Tiandi restains Lingnan architectural features and rejuvenates the community with new dynamic

Wuhan Tiandi has become the supreme high-end urban complex in Wuhan

Shanghai's economy grew by 6.7% in the first half of 2016, with contribution from the tertiary sector rising to 70.8% from 67.8% in the same period in 2015. During this period, 23 multinational companies opened new regional headquarters in the municipality, bringing the total to 558, including 49 multinational companies that have chosen Shanghai as their Asia Pacific headquarters. Talent and capital will continue to be attracted to Shanghai, helped in part by the recent unveiling of the Yangtze River Delta city cluster development plan. The opening of Disneyland in June will also provide a strong boost to the city's tourism industry, fuelling robust growth of dining, entertainment and retail sales.

Chongqing maintained a rapid GDP growth rate of 10.6% in the first half of 2016, with its tertiary sector now accounting for 50.6% of GDP, a notable year-on-year improvement from the 47.7% achieved last year. The municipality is expected to assume a prominent role under China's "Belt and Road" national strategy. According to the 13th Five-Year Plan, Chongqing will benefit from the Central Government's development strategy to enhance economic interaction along the "Chengdu-Chongqing" corridor. This should further solidify Chongqing's position as the leading economic hub in Western China and the upper reaches of the Yangtze River.

Wuhan's GDP growth advanced from 7.0% in the first quarter of this year to 7.6% for the first half of 2016. A number of high-tech industries, including information technology and bio-medicine, registered robust double-digit growth and emerged as new economic drivers. The government has pledged to make further investments to expand its metro system, which should enhance urban connectivity and result in land value appreciation. Wuhan has also introduced a policy to encourage university students to stay and work in the city after graduation in an effort to turn the city into an innovation and entrepreneurship centre with global influence.

Foshan's economy maintained a steady growth rate of 8.1% in the first half of 2016. The city has rolled out a plan to construct seven subway lines by 2020, which will greatly improve its accessibility to Guangzhou. In order to promote population growth, the city has eased its urban residency permit requirements, making it easier for migrant workers to obtain a Foshan "hukou". Migrant workers who purchase a house in Foshan may be granted local residency. Foshan was recognised as a new economy front runner, and was ranked among the top 20 internet technology cities in China according to a "2016 Internet Plus Index" ranking compiled by Tencent Research Institute.

Dalian's economy grew by 5.0% in the first half of 2016, up from 4.2% achieved for full year 2015, with secondary and tertiary sector growth coming in at 4.6% and 5.6%, respectively. Foreign direct investment grew by 4.9% to USD1.83 billion during the first six months, and a number of multinational corporations including Intel, Bosch, Toshiba and Panasonic indicated a continued interest to invest in Dalian. The housing market staged a recovery in the first half of the year, with total transaction area rising 22.3% to 1.29 million sq.m. and home prices increasing 4.3% to RMB11,777 per sq.m. compared with the same period last year.

Immense uncertainties in the global economy have weighed on China's growth momentum. The authorities are vigilant in monitoring the risks and potential threats with an eye on maintaining relatively stable domestic growth. The current regional development trend points to divergent growth patterns across city tiers. Tier-one and regional hub cities with positive population dynamics and continued improvement in urban transportation infrastructure will tend to outperform. With land prices rapidly escalating and property transactions showing signs of softening, our land banking strategy will be prudent and focused on cities that have promising potential related to the new economic growth engines of innovation and entrepreneurship.

Hall of the Stars at Rui Hong Xin Cheng provides fine-planned outdoor space

FORGING AHEAD

Our efforts in executing the asset-light strategy will be well rewarded and we shall continue implementing our strategy to capture growth opportunities in the future.

FINANCIAL REVIEW

The Group's *turnover* for the six months ended 30 June 2016 decreased by 17% to RMB1,681 million (2015: RMB2,027 million), mainly due to a significant decrease in recognised property sales and construction income, which was partially offset by higher rental and related income for the period under review.

Property sales for the six months ended 30 June 2016 decreased 23% to RMB728 million (2015: RMB951 million) as a result of fewer properties delivered, especially in our Shanghai, Wuhan and Chongqing projects. Property sales of our Shanghai, Wuhan and Chonqqing projects, decreased to RMB234 million during the period under review (2015: RMB685 million), while property sales of our Foshan project increased to RMB494 million (2015:RMB266 million). Total area handed over to owners increased to 57,200 sq.m. (2015: 53,000 sq.m.). Details of the property sales during the six months ended 30 June 2016 are in the paragraph titled "Property Sales" in the Business Review Section.

Income from property investment increased marginally to RMB795 million (2015: RMB771 million). Rental and related income from investment properties for the six months ended 30 June 2016 increased slightly to RMB759 million (2015: RMB736 million), mainly due to higher rental income from existing completed properties and also from the completion of new investment properties including THE HOUSE-Shanghai Xintiandi, THE HUB-Shanghai and NOVA-Foshan Lingnan Tiandi. The increase was offset by the decrease in rental income generated by 1 & 2, 3 Corporate Avenue located in Shanghai Taipingqiao which we sold in August 2015 and February 2016 respectively. Income from hotel operations, comprising contributions from our Marco Polo Hotel in Foshan remained stable at RMB36 million for the period under review (2015: RMB35 million). Details on the business performance of investment properties are in the paragraph titled "Investment Property" in the Business Review Section.

Construction income generated by our construction business, decreased to RMB122 million for the six months ended 30 June 2016 (2015: RMB273 million).

Gross profit for the six months ended 30 June 2016 significantly increased by 32% to RMB761 million (2015: RMB578 million), while *gross profit margin* also increased to 45% (2015: 29%). The higher gross profit margin was due to higher margins contributed from income from property investment which accounted for a higher portion of 47% of the Group's turnover (2015: 38%) for the six months ended 30 June 2016.

Other income increased 80% to RMB352 million (2015: RMB196 million), which comprised interest income and government grant.

Selling and marketing expenses increased by 71% to RMB118 million (2015: RMB69 million) and was in line with the increase in contracted sales achieved by the Group (excluding sales by associates, other assets disposal and en-bloc sales) by 319% to RMB10,085 million (2015: RMB2,407 million).

General and administrative expenses increased 10% to RMB467 million (2015: RMB425 million). The increase was attributable to additional advisory costs, deprecation charge and staff costs incurred.

As a result of the above, *operating profit* increased 89% to RMB528 million for the six months ended 30 June 2016 (2015: RMB280 million).

Gain on investment properties disposed of represented gains from the disposal of 3 Corporate Avenue located in Shanghai Taipingqiao project, which was disposed during the six months ended 30 June 2016.

IT Tiandi at Dalian Tiandi provides overall lifestyle experience

Net increase in fair value of the remaining investment properties decreased 81% to RMB519 million (2015: RMB2,797 million), of which RMB559 million gain (2015: RMB2,381 million) was contributed by completed investment properties and RMB40 million loss (2015 gain: RMB416 million) from investment properties under construction or development. The decrease in fair value gain was mainly because we reported RMB2,797 million fair value gain of investment properties where it has taken into account of the actual transacted selling price of 1 and 2 Corporate Avenue in Shanghai Taipingqiao project in 2015. The paragraph titled "Investment Property" in the Business Review Section provides a detailed description of these properties.

Other gains and losses amounted to a gain of RMB1,141 million (2015 loss: RMB258 million), of which RMB867 million one-off gain arose from the acquisition of Shanghai Taipingqiao Lot 116 residential project and RMB327 million gain on sales of beneficial interest in certain properties. This gain was offset by rental guarantee arrangements arising from previously sold commercial properties in Chongqing Tiandi of RMB97 million (2015: RMB 273 million).

Share of losses of associates and joint ventures was RMB142 million for the six months ended 30 June 2016 (2015: RMB18 million), which was mainly from the Dalian Tiandi development.

Finance costs, inclusive of exchange differences, amounted to RMB1,135 million (2015: RMB563 million). Total interest costs decreased to RMB1,759 million (2015: RMB1,844 million). Of these interest costs, 56% (2015: 70%) or RMB986 million (2015: RMB1,284 million) was capitalised as cost of property development, with the remaining 44% (2015: 30%) interest relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. For the six months ended 30 June 2016, the percentage of capitalised interest of the Group's borrowings decreased, and the expense ratio increased as compared with the corresponding period, resulting in the increased finance costs reported. An exchange loss of RMB350 million was recorded as a result of the depreciation of the RMB against the HKD and the USD for the six months ended 30 June 2016, as compared to an appreciation of the RMB for the six months ended 30 June 2015 which generated a gain of RMB10 million.

Notwithstanding the Gross Profit and Operating Profit for the six months ended 30 June 2016 increased year-on-year basis, *profit before taxation decreased* 38% to RMB1,382 million (2015: RMB2,238 million). The decrease in profit before taxation is primarily due to i) a decrease in net increase in fair value of the remaining investment properties; ii) an increase in finance costs (inclusive of exchange differences); and other factors mentioned above.

Taxation decreased 64% to RMB254 million (2015: RMB703 million). The effective tax rate for the six months ended 30 June 2016 was 19% (2015: 30%). Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction.

Profit attributable to shareholders of the Company for the six months ended 30 June 2016 was RMB768 million, a decrease of 36% compared to the corresponding period in 2015 (2015: RMB1,195 million).

Night view of Chongqing Tiandi

Core earnings of the Group are as follows:

	Six months ended 30 June		
	2016 RMB'million	2015 RMB'million	Change %
Profit attributable to shareholders of the Company	768	1,195	(36%)
Net increase in fair value of the remaining investment properties	(519)	(2,797)	
Effect of corresponding deferred tax charges	130	699	
Cumulative realised fair value gains of investment properties*	1,556	4,156	
Gain arose from acquisition of subsidiaries	(867)	–	
Share of results of associates			
Fair value losses of investment properties	100	35	
Effect of corresponding deferred tax charges	(25)	(9)	
	375	2,084	(82%)
Non-controlling interests	(42)	38	
Net effect of changes in the valuation of investment properties	333	2,122	(84%)
Profit attributable to shareholders of the Company before revaluation of the remaining investment properties	1,101	3,317	
Add:			
Profit attributable to owners of convertible perpetual securities	–	128	(100%)
Profit attributable to owners of convertible perpetual capital securities	55	8	588%
Profit attributable to owners of perpetual capital securities	165	155	6%
Core earnings of the Group	1,321	3,608	(63%)

* Cumulative realised fair value gains of investment properties for the six months ended 30 June 2016 are mainly related to completion of the sales of Shanghai Taipingqiao 3 Corporate Avenue while the compared period are mainly related to Shanghai Taipingqiao 1 & 2 Corporate Avenue.

Earnings per share was RMB0.10, which was calculated based on a weighted average of approximately 8,002 million shares in issue during the six months ended 30 June 2016 (2015: RMB0.15, which was 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 2016 interim dividend of HKD0.011 per share (2015: HKD0.022 per share).

MAJOR ACQUISITION AND DISPOSAL

In December 2015, the Group entered into an agreement to dispose of 100% equity interest in Infoshore International Limited ("Infoshore") and the related shareholders' loans for an aggregate cash consideration of approximately RMB5,759 million. Infoshore indirectly held 3 Corporate Avenue located in Shanghai Taipingqiao project. The transaction has been completed in February 2016. For details, please refer to the circular issued by the Company dated 31 December 2015.

In December 2015, the Group entered into an agreement to buyback 60.14% equity interest and the related debt interests in Portspin Limited ("Portspin") held by Trophy Property GP Limited, as general partner of and on behalf of Trophy Property Development L.P. and its subsidiaries by two installments: the initial installment in relation to 18.04% of the equity interest and related debt interests in Portspin for a cash consideration of USD156 million settled in January 2016 and the final

Rui Hong Xin Cheng enjoys prime location, convenient transportation as well as quality design

installment in relation to 42.1% of the equity interest and related debt interests in Portspin for a cash consideration of USD407 million to be settled in December 2017. Portspin indirectly owns a residential property (Lot 116) located in Shanghai Taipingqiao project. For details, please refer to the circular issued by the Company dated 29 January 2016.

In April 2016, the Group entered into an agreement to dispose its entire equity interest in Foshan Yuan Kang Property Development Co. Ltd. ("Foshan Yuan Kang Property") for an aggregate consideration of RMB1,842 million. Foshan Yuan Kang Property owns several pieces of land in Foshan with a total saleable gross floor area of 231,500 sq.m.. The disposal was completed on 24 June 2016.

In May 2016, the Group entered into an agreement to dispose 2 office buildings in Wuhan, namely A1 and A3 for an aggregate consideration of RMB3,365 million and RMB1,134 million respectively. For details, please refer to the circular issued by the Company dated 23 June 2016.

LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

The structure of the Group's borrowings as of 30 June 2016 is summarised below:

	Total (in RMB equivalent)	Due within one year	Due in more than one year but not exceeding two years	Due in more than two years but not exceeding five years	Due in more than five years
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank and other borrowings – RMB	25,804	7,551	5,115	11,698	1,440
Bank borrowings – HKD	2,840	2,840	–	–	–
Bank borrowings – USD	2,321	594	179	1,548	–
Senior notes – RMB	2,546	2,546	–	–	–
Senior notes – USD	12,415	–	7,482	4,933	–
Total	45,926	13,531	12,776	18,179	1,440

Total cash and bank deposits amounted to RMB11,316 million as of 30 June 2016 (31 December 2015: RMB10,614 million), which included RMB3,251 million (31 December 2015: RMB2,989 million) of deposits pledged to banks and RMB1,842 million (31 December 2015: RMB4,281 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 30 June 2016, the Group's net debt balance was RMB34,610 million (31 December 2015: RMB37,378 million) and its total equity was RMB45,873 million (31 December 2015: RMB46,118 million). The Group's net gearing ratio was 75% as of 30 June 2016 (31 December 2015: 81%), calculated on the basis of the excess of the sum of senior notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

During the six months period ended 30 June 2016, the Group refinanced several borrowings from HKD/USD to RMB. As of 30 June 2016, HKD/USD borrowings including senior notes amounted to approximately RMB17,576 million in equivalent, which is around 38% of the total borrowings (31 December 2015: 46%).

Total undrawn banking facilities available to the Group amounted to approximately RMB4,990 million as of 30 June 2016 (31 December 2015: RMB6,256 million).

PLEDGED ASSETS

As of 30 June 2016, 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 RMB60,883 million (31 December 2015: RMB65,821 million) to secure the Group's borrowings of RMB25,269 million (31 December 2015: RMB26,717 million).

CAPITAL AND OTHER DEVELOPMENT RELATED COMMITMENTS

As of 30 June 2016, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB8,859 million (31 December 2015: RMB13,368 million).

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.

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

EXCHANGE RATE AND INTEREST RATE RISKS

The revenue of the Group is denominated in RMB. The RMB senior notes issued in 2014 are also denominated in RMB. As a result, the coupon payments and repayment of the principal amounts of the senior notes issued in 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 and CPCS denominated in USD issued in 2014 and 2015. 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 2016, the Group has not entered into any currency swap hedge.

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 2016, the Group had various outstanding loans that bear variable interest linked to 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 ranging from 115% to 125% of the PBOC Prescribed Interest Rate and pay interests at a fixed rate from 7.52% to 7.85%, based on the notional amounts RMB656 million.

In addition, 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 2016, 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

Deloitte.
德勤

To the Board of Directors of Shui On Land Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 63, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 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

24 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'million (Unaudited)	2015 RMB'million (Unaudited)
Turnover			
– The Company and its subsidiaries (the "Group")		1,681	2,027
– Share of associates		195	86
		1,876	2,113
Turnover of the Group	3	1,681	2,027
Cost of sales		(920)	(1,449)
Gross profit		761	578
Other income		352	196
Selling and marketing expenses		(118)	(69)
General and administrative expenses		(467)	(425)
Operating profit	4	528	280
Gain on investment properties disposed of	20(a)	471	–
Net increase in fair value of the remaining investment properties	10	519	2,797
Other gains and losses	5	1,141	(258)
Share of losses of associates and joint ventures		(142)	(18)
Finance costs, inclusive of exchange differences	6	(1,135)	(563)
Profit before taxation		1,382	2,238
Taxation	7	(254)	(703)
Profit for the period		1,128	1,535
Attributable to:			
Shareholders of the Company		768	1,195
Owners of convertible perpetual securities		–	128
Owners of convertible perpetual capital securities		55	8
Owners of perpetual capital securities		165	155
Non-controlling shareholders of subsidiaries		140	49
		360	340
		1,128	1,535
Earnings per share	9		
– Basic		RMB0.10	RMB0.15
– Diluted		RMB0.10	RMB0.12

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'million (Unaudited)	2015 RMB'million (Unaudited)
Profit for the period	1,128	1,535
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of foreign operations	(17)	(3)
Fair value adjustments on interest rate swaps designated as cash flow hedges	3	(6)
Fair value adjustments on cross currency swaps designated as cash flow hedges	–	(6)
Reclassification from hedge reserve to profit or loss	3	26
Other comprehensive (expense) income for the period	(11)	11
Total comprehensive income for the period	1,117	1,546
Total comprehensive income attributable to:		
Shareholders of the Company	757	1,206
Owners of convertible perpetual securities	–	128
Owners of convertible perpetual capital securities	55	8
Owners of perpetual capital securities	165	155
Non-controlling shareholders of subsidiaries	140	49
	360	340
	1,117	1,546

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2016

	Notes	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Non-current assets			
Investment properties	10	56,283	55,600
Property, plant and equipment		2,251	2,268
Prepaid lease payments		124	128
Interests in associates	11	562	562
Interests in joint ventures	13	27	27
Loans to associates	11	1,872	1,962
Loans to joint ventures	13	762	2,912
Accounts receivable and prepayments	12	837	504
Amounts due from associates	11	1,950	1,878
Pledged bank deposits		2,380	2,008
Derivative financial instrument	17	460	450
Deferred tax assets		590	554
		68,098	68,853
Current assets			
Properties under development for sale		27,288	20,102
Properties held for sale		1,864	2,560
Accounts receivable, deposits and prepayments	12	11,968	10,344
Amounts due from related companies	23	690	724
Amounts due from joint ventures		3	21
Amounts due from customers of contract work		67	103
Pledged bank deposits		871	981
Restricted bank deposits		1,842	4,281
Bank balances and cash		6,223	3,344
		50,816	42,460
Assets classified as held for sale	20(a)	–	5,857
		50,816	48,317
Current liabilities			
Accounts payable, deposits received and accrued charges	14	16,445	13,340
Amounts due to related companies	23	375	310
Amounts due to non-controlling shareholders of subsidiaries		9	11
Tax liabilities		907	1,301
Bank and other borrowings – due within one year		10,985	12,778
Senior notes	15	2,546	–
Derivative financial instruments	17	229	37
Liabilities arising from rental guarantee arrangements	16	365	320
		31,861	28,097
Liabilities associated with assets classified as held for sale	20(a)	–	1,813
		31,861	29,910
Net current assets		18,955	18,407
Total assets less current liabilities		87,053	87,260

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2016

	Notes	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Capital and reserves			
Share capital		145	145
Reserves		36,954	36,500
Equity attributable to shareholders of the Company		37,099	36,645
Convertible perpetual securities		1	16
Convertible perpetual capital securities		1,346	1,346
Perpetual capital securities		3,049	3,050
Non-controlling shareholders of subsidiaries		4,378	5,061
		8,774	9,473
Total equity		45,873	46,118
Non-current liabilities			
Accounts payable and accrued charges	14	2,590	48
Bank and other borrowings – due after one year		19,980	20,559
Senior notes	15	12,415	14,655
Derivative financial instruments	17	–	238
Liabilities arising from rental guarantee arrangements	16	104	370
Deferred tax liabilities		6,060	5,242
Defined benefit liabilities		31	30
		41,180	41,142
Total equity and non-current liabilities		87,053	87,260

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to shareholders of the Company							
	Share capital RMB'million	Share premium RMB'million	Merger reserve RMB'million	Special reserve RMB'million	Share option reserve RMB'million	Share award reserve RMB'million	Exchange reserve RMB'million	Convertible bond equity reserve RMB'million
At 1 January 2016 (audited)	145	18,020	122	(135)	126	8	(108)	–
Profit for the period	–	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(17)	–
Fair value adjustments on interest rate swaps designated as cash flow hedges	–	–	–	–	–	–	–	–
Reclassification from hedge reserve to profit or loss	–	–	–	–	–	–	–	–
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(17)	–
Recognition of equity-settled share-based payment expenses (note 18)	–	–	–	–	1	–	–	–
Acquisition of subsidiaries (note 19)	–	–	–	–	–	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–
Disposal of subsidiaries (note 20(a))	–	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–	–
Dividend paid to a non-controlling shareholder of subsidiaries	–	–	–	–	–	–	–	–
Lapse of share options	–	–	–	–	(84)	–	–	–
Recognition of equity-settled share-based payment expenses under the share award scheme	–	–	–	–	–	4	–	–
2015 final dividend of HK$0.028 per share paid	–	–	–	–	–	–	–	–
Distribution to the owner of convertible perpetual securities	–	–	–	–	–	–	–	–
Capital injection	–	–	–	–	–	–	–	–
At 30 June 2016 (unaudited)	145	18,020	122	(135)	43	12	(125)	–
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 18)	–	–	–	–	2	–	–	–
Issue of shares pursuant to the share award scheme (note 18)	–	–	–	–	–	2	–	–
Issue of convertible perpetual capital securities	–	–	–	–	–	–	–	–
Expenditures incurred on issue of convertible perpetual capital securities	–	–	–	–	–	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–
Distribution to the owner of convertible perpetual securities	–	–	–	–	–	–	–	–
Distribution to owners of perpetual capital 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

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
(8)	772	64	17,639	36,645	16	1,346	3,050	5,061	9,473	46,118
–	–	–	768	768	–	55	165	140	360	1,128
–	–	–	–	(17)	–	–	–	–	–	(17)
3	–	–	–	3	–	–	–	–	–	3
3	–	–	–	3	–	–	–	–	–	3
6	–	–	768	757	–	55	165	140	360	1,117
–	–	–	–	1	–	–	–	–	–	1
–	(115)	–	–	(115)	–	–	–	110	110	(5)
–	(3)	–	–	(3)	–	–	–	(19)	(19)	(22)
–	–	–	–	–	–	–	–	(41)	(41)	(41)
–	–	–	–	–	–	(55)	–	–	(55)	(55)
–	–	–	–	–	–	–	(166)	–	(166)	(166)
–	–	–	–	–	–	–	–	(878)	(878)	(878)
–	–	–	84	–	–	–	–	–	–	–
–	–	–	–	4	–	–	–	–	–	4
–	–	–	(190)	(190)	–	–	–	–	–	(190)
–	–	–	–	–	(15)	–	–	–	(15)	(15)
–	–	–	–	–	–	–	–	5	5	5
(2)	654	64	18,301	37,099	1	1,346	3,049	4,378	8,774	45,873
(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)	–	–	–	(127)	(127)
–	–	–	–	–	–	–	(155)	–	(155)	(155)
–	–	–	–	–	–	–	–	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'million (Unaudited)	2015 RMB'million (Unaudited)
Net cash from (used in) operating activities			
Decrease (increase) in inventories of properties		157	(3,193)
Increase in accounts receivable, deposits and prepayments		(993)	(745)
Increase in accounts payable, deposits received and accrued charges		4,185	1,212
Other operating cash flows		560	448
		3,909	(2,278)
Net cash from (used in) investing activities			
Additions to investment properties		(222)	(1,221)
Proceeds from disposal of investment properties		60	38
Proceeds from disposal of assets classified as held for sale		–	714
Proceeds from disposal of subsidiaries	20	4,270	–
Withdrawal of pledged bank deposits		1,683	2,113
Placement of pledged bank deposits		(1,852)	(2,255)
Placement of restricted bank deposits		(73)	(220)
Release of restricted bank deposits		2,402	1,301
Advances to associates		(450)	(200)
Repayment from associates		450	–
Repayment from related companies		35	–
Acquisition of additional interests in an existing joint venture and shareholders' loans		–	(994)
Net cash inflow from acquisition of subsidiaries	19	50	–
Net cash outflow from acquisition of a subsidiary		–	(115)
Other investing cash flows		–	(51)
		6,353	(890)
Net cash used in financing activities			
Payments made under rental guarantee arrangements		(318)	(280)
Capital injected by a non-controlling shareholder of a subsidiary		5	–
New bank borrowings raised		6,983	8,989
Repayment of bank and other borrowings		(11,057)	(3,416)
Issue of convertible perpetual capital securities		–	1,376
Expenditures incurred on issue of convertible perpetual capital securities		–	(34)
Repayment of senior notes		–	(5,157)
Settlement for derivative financial instruments designated as cash flow hedge		–	(159)
Interest paid		(1,630)	(1,960)
Payment of dividends		(190)	(253)
Distribution to owners of perpetual capital securities		(166)	(155)
Distribution to the owner of convertible perpetual securities		(15)	(127)
Distribution to owners of convertible perpetual capital securities		(55)	–
Dividend paid to non-controlling shareholders of subsidiaries		(878)	(1)
Acquisition of additional interests of a subsidiary		–	(5)
		(7,321)	(1,182)
Net increase (decrease) in cash and cash equivalents		2,941	(4,350)
Cash and cash equivalents at the beginning of the period		3,360	6,668
Effect of foreign exchange rate changes		(78)	(15)
Cash and cash equivalents at the end of the period		6,223	2,303
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		6,223	2,303

1 General

The condensed consolidated financial statements for the six months ended 30 June 2016 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 and with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

2 Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 except as described below.

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 2016:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle

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.

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)					
	2016			2015		
	The Group RMB'million	Share of associates RMB'million	Total RMB'million	The Group RMB'million	Share of associates RMB'million	Total RMB'million
Property development:						
Property sales	728	163	891	951	69	1,020
Property investment:						
Rental income received from investment properties	691	32	723	692	17	709
Income from hotel operations	36	–	36	35	–	35
Property management fee income	11	–	11	13	–	13
Rental related income	57	–	57	31	–	31
	795	32	827	771	17	788
Construction	122	–	122	273	–	273
Others	36	–	36	32	–	32
Total	1,681	195	1,876	2,027	86	2,113

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

Property development	– development and sale of properties
Property investment	– office and commercial/mall leasing, property management and hotel operations
Construction	– construction, interior fitting-out, renovation and maintenance of building premises and provision of related consultancy services

3 Turnover and Segmental Information (Continued)

	Six months ended 30 June 2016 (Unaudited)					
	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue						
External turnover of the Group	728	795	122	1,645	36	1,681
Share of turnover of associates	163	32	–	195	–	195
Total segment revenue	891	827	122	1,840	36	1,876
Segment Results						
Segment results of the Group	199	1,383	(17)	1,565	42	1,607
Interest income						122
Other gains and losses						1,141
Share of losses of associates and joint ventures						(142)
Finance costs, inclusive of exchange differences						(1,135)
Net unallocated expenses						(211)
Profit before taxation						1,382
Taxation						(254)
Profit for the period						1,128

3 Turnover and Segmental Information (Continued)

	Six months ended 30 June 2015 (Unaudited)					
	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue						
External turnover of the Group	951	771	273	1,995	32	2,027
Share of turnover of associates	69	17	–	86	–	86
Total segment revenue	1,020	788	273	2,081	32	2,113
Segment Results						
Segment results of the Group	(128)	3,139	(18)	2,993	46	3,039
Interest income						182
Other gains and losses						(258)
Share of losses of associates and joint ventures						(18)
Finance costs, inclusive of exchange differences						(563)
Net unallocated expenses						(144)
Profit before taxation						2,238
Taxation						(703)
Profit for the period						1,535

Segment revenue represents the turnover of the Group and the share of turnover of associates.

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 and finance costs inclusive of 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	
	2016 RMB'million (Unaudited)	2015 RMB'million (Unaudited)
Operating profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	79	71
Release of prepaid lease payments	3	2
Employee benefits expenses		
Directors' emoluments		
Fees	1	1
Salaries, bonuses and allowances	19	19
	20	20
Other staff costs		
Salaries, bonuses and allowances	323	302
Retirement benefits costs	45	19
Share option expenses	1	2
Share award expenses	4	2
	373	325
Total employee benefits expenses	393	345
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	(105)	(79)
	288	266
Cost of properties sold recognised as an expense	589	719
(Reversal of) impairment loss on properties held for sale and properties under development for sale (included in "cost of sales")	(19)	292
Minimum lease payments under operating leases	12	14
Interest income	(122)	(182)

5 Other Gains and Losses

	Six months ended 30 June	
	2016 RMB'million (Unaudited)	2015 RMB'million (Unaudited)
Loss arising from rental guarantee arrangements (note 16)	(97)	(273)
Increase in fair value of call option to buy back an investment property (note 17)	10	–
Fair value gain on other derivative financial instruments	43	18
Bargain purchase gain from acquisition of subsidiaries (note 19)	369	–
Gain on deemed disposal of a joint venture (note 19)	498	–
Loss on disposal of a subsidiary (note 20(b))	(15)	–
Gain on sales of beneficial interest in certain properties (note)	327	–
Others	6	(3)
	1,141	(258)

Note:
During the six months ended 30 June 2016, the Group has disposed of the right to receive the net proceeds from the sales of the Group's certain properties under development for sales to an independent third party (the "purchaser"). Upon the completion of this disposal, the Group has transferred the significant risks and rewards associated with the relevant properties to the purchaser.

6 Finance Costs, Inclusive of Exchange Differences

	Six months ended 30 June	
	2016 RMB'million (Unaudited)	2015 RMB'million (Unaudited)
Interest on bank and other borrowings	990	1,000
Interest on loans from non-controlling shareholders of subsidiaries	–	1
Imputed interest of deferred consideration in relation to acquisition of subsidiaries	72	–
Interest on convertible bonds	–	23
Interest on senior notes	693	766
Net interest expense from cross currency swaps designated as cash flow hedges	–	50
Net interest expense from interest rate swaps designated as cash flow hedges	4	4
Total interest costs	1,759	1,844
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	(986)	(1,284)
Interest expense charged to profit or loss	773	560
Net exchange loss (gain) on bank borrowings and other financing activities	350	(10)
Others	12	13
	1,135	563

Borrowing costs capitalised during the six months ended 30 June 2016 were calculated by applying a capitalisation rate of approximately 5.3% (for the six months ended 30 June 2015: approximately 7.1%) per annum to expenditure on the qualifying assets.

7 Taxation

	Six months ended 30 June	
	2016 RMB'million (Unaudited)	2015 RMB'million (Unaudited)
The People's Republic of China ("PRC") Enterprise Income Tax	87	125
PRC Withholding Tax	4	11
PRC Land Appreciation Tax	(22)	42
Deferred taxation	185	525
	254	703

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 2015: 25%) on the assessable profits of the companies in the Group during the period.

The provision of PRC Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. PRC 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	
	2016 RMB'million (Unaudited)	2015 RMB'million (Unaudited)
2015 Final dividend declared and paid (2015: 2014 final dividend declared and paid)	190	253
Interim dividend declared in respect of 2016 of HK$0.011 (2015: HK$0.022) per share	76	145

Subsequent to the end of the interim period, the Board has declared the payment of HK$0.011 (equivalent to RMB0.009) per share, amounting to HK$89 million (equivalent to RMB76 million) in aggregate as the interim dividend with respect to 2016.

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 2016 RMB'million (Unaudited)	Six months ended 30 June 2015 RMB'million (Unaudited)
Earnings for the purposes of basic earnings per share, being profit for the period attributable to shareholders of the Company	768	1,195
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities (note (c))	–	8
Adjustment for convertible perpetual securities	–	(256)
Earnings for the purposes of diluted earnings per share	768	947

Number of shares	Six months ended 30 June 2016 'million (Unaudited)	Six months ended 30 June 2015 'million (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share (note (a))	8,002	8,002
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	136
Convertible perpetual capital securities (note (c))	–	82
Outstanding share awards	18	7
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,020	8,227

Notes:

(a) 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 18.

(b) 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 2016 and 30 June 2015.

(c) There was no dilution effect for the convertible perpetual capital securities for the six months ended 30 June 2016 as the full conversion of convertible perpetual capital securities into ordinary shares of the Company will not result in a decrease in profit per ordinary share of the Company for the six months ended 30 June 2016.

10 Investment Properties

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	38,114	37,561
Investment properties under construction or development,		
stated at fair value	5,786	5,636
stated at cost	12,383	12,403
	18,169	18,039
	56,283	55,600

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

	Completed investment properties 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 2016 (audited)	37,561	5,636	12,403	55,600
Additions	13	224	56	293
Transfers upon completion	34	(34)	–	–
Eliminated upon disposal	(53)	–	–	(53)
Disposal of a subsidiary (note 20(b))	–	–	(76)	(76)
Increase (decrease) in fair value recognised in profit or loss	559	(40)	–	519
At 30 June 2016 (unaudited)	38,114	5,786	12,383	56,283
At 1 January 2015 (audited)	33,804	11,458	12,900	58,162
Additions	2	1,399	834	2,235
Acquisition of a subsidiary	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

10 Investment Properties (Continued)

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 2016 and 31 December 2015 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 completed investment properties, the valuations have been arrived using direct comparison method and capitalisation of net income method, 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 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Interests in associates			
– Cost of investments, unlisted		652	482
– Share of post-acquisition results, net of effect on elimination of unrealised interest income		(90)	80
		562	562
Loans to associates			
– Interest-free	(a), (d)	797	881
– Interest bearing ranging from 4.79% to 5.23% (31 December 2015: 4.79% to 5.23%) per annum	(b), (d)	1,075	1,081
		1,872	1,962
Amounts due from associates – non-current			
– Interest-free	(c), (d)	547	484
– Interest bearing ranging from 4.79% to 5.23% (31 December 2015: 4.79% to 12%) per annum	(c), (d)	1,403	1,394
		1,950	1,878

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast Group Limited ("Richcoast"), an associate of the Group, for financing the development 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 ("SOCL")) 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 2015: 7.29%) per annum.

(b) These loans to associates represent the loans to subsidiaries of Richcoast, are unsecured, carry interest at rates ranging from 4.79% to 5.23% (31 December 2015: 4.79% to 5.23%) per annum and have no fixed terms of repayment.

(c) The amounts due from subsidiaries of Richcoast are non-trade nature, unsecured, interest free and repayable on demand, except for an aggregate amount of RMB1,403 million (31 December 2015: RMB1,394 million) which carries interest at rate from 4.79% to 5.23% (31 December 2015: 4.79% 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.

12 Accounts Receivable, Deposits and Prepayments

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	210	184
Trade receivables	99	86
Prepayments of relocation costs (note)	218	234
Receivables from disposal of a subsidiary (note 20(b))	310	–
	837	504
Current accounts receivable comprise:		
Trade receivables	787	806
Receivable arising from disposal of a hotel	193	193
Prepayments of relocation costs (note)	8,758	8,553
Receivables from disposals of subsidiaries (note 20)	754	–
Receivable from sales of beneficial interest in certain properties	251	–
Other deposits, prepayments and receivables, including prepaid business tax of RMB278 million (2015: RMB242 million)	1,225	792
	11,968	10,344

Note:
The amounts represent monies paid to a few relocation agents for clearing the land of the current occupants in respect of a property development project in Shanghai. 86% and 10% (31 December 2015: 86% and 10%) of the total outstanding balance are paid to two of the relocation agents. The amounts will be capitalised to cost of properties under development for sale and investment properties under construction or development 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 amounts are not expected to be realised within twelve months from the end of the reporting period.

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 RMB886 million (31 December 2015: RMB892 million), of which 42% (31 December 2015: 64%) are aged less than 90 days, and 58% (31 December 2015: 36%) are aged over 90 days, as compared to when revenue was recognised.

13 Interests in Joint Ventures/Loans to Joint Ventures

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Interests in joint ventures		
– Costs of investments, unlisted	30	70
– Share of post-acquisition results, net of effect on elimination of unrealised interest income	(3)	(43)
	27	27
Loans to joint ventures		
– Unsecured, interest-free and repayable on demand	–	298
– Unsecured, interest bearing at 110% of People's Bank of China ("PBOC") Prescribed Interest Rate and repayable on demand	–	1,854
– Unsecured, interest bearing at 100% of PBOC Prescribed Interest Rate and repayable in 2018	762	760
	762	2,912

14 Accounts Payable, Deposits Received and Accrued Charges

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Current portion comprise:		
Trade payables with aging analysis:		
0 – 30 days	2,152	3,099
31 – 60 days	94	187
61 – 90 days	74	110
Over 90 days (note)	1,372	1,480
	3,692	4,876
Relocation cost payable	100	700
Deed tax, value added tax, business tax and other tax payables	435	501
Deposits received and receipt in advance from property sales	11,287	4,552
Deposits received and receipt in advance in respect of rental of investment properties	511	473
Deposits received for disposal of subsidiaries (note 20)	–	1,768
Other payables and accrued charges	420	470
	16,445	13,340
Non-current portion comprise:		
Deferred consideration for acquisition of subsidiaries	2,554	–
Other payables and accrued charges	36	48
	2,590	48

Note:
Amount included retention payables of RMB680 million (31 December 2015: RMB735 million), which are expected to be paid upon the expiry of the retention periods according to the respective contracts.

15 Senior Notes

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
At the beginning of period/year	14,655	19,137
Interest charged during the period/year	693	1,405
Less: Interest paid	(644)	(1,470)
Less: Repayment of senior notes	–	(5,157)
Exchange translation	257	740
At the end of period/year	14,961	14,655
Less: Amount due within one year shown under current liabilities	(2,546)	–
Amount due after one year	12,415	14,655

16 Liabilities Arising from Rental Guarantee Arrangements

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Rental guarantees, at fair value	469	690
For the purpose of financial statements presentation:		
Non-current liabilities	104	370
Current liabilities	365	320
	469	690

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 during 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.

In the current period, the Group has reassessed and revised the related cash flow forecasts taking into account the latest market conditions.

16 Liabilities Arising from Rental Guarantee Arrangements (Continued)

As at 30 June 2016, 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:

	30.6.2016	31.12.2015
Estimated office unit rental	RMB86 to RMB123 per square meter	RMB98 to RMB157 per square meter
Occupancy rate	53% to 99%	68% to 99%
Risk-free rate	2.15% to 2.58%	2.33% to 2.60%
Discount rate	6.55% to 6.98%	7.01% to 7.28%
Adjustment for estimation uncertainty	13.29% to 18.48%	39.04% to 44.75%
Expected expiry date	17 January 2017 and 31 January 2020	17 January 2017 and 31 January 2020

A loss of RMB97 million (for the six months ended 30 June 2015: 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. There were no transfers in or out of Level 3 during the period. 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 is, the lower the fair value of the liabilities arising from rental guarantee arrangements.

17 Derivative Financial Instruments

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Call option to buy back an investment property	460	450
Warrants	5	32
Interest rate swaps	2	5
Cross currency swaps	222	238
For the purpose of financial statement presentation:		
Non-current assets	460	450
Non-current liabilities	–	238
Current liabilities	229	37
	229	275

17 Derivative Financial Instruments (Continued)

Call option to buy back an investment property

In previous years, the Group disposed of its entire equity interest in a subsidiary, and the related intercompany loans, that indirectly owned 99% interest in an investment property located in Shanghai, the PRC, to an independent third party for a cash consideration of RMB3,364 million.

In accordance with the relevant sale and purchase agreement entered into in previous years, the Group was granted a call option to repurchase all the equity interest of the disposed subsidiary and the related shareholders' loans within two months before the fifth anniversary or the seventh anniversary of the completion of the disposal (i.e. 18 December 2013), at a cash consideration that represent the original consideration plus 9% per annum rate of return.

The Group has engaged an independent valuer to estimate the fair value of the option as at 30 June 2016. As at 30 June 2016, the fair value of the call option was estimated to be RMB460 million (31 December 2015: RMB450 million). Gain on fair value of the call option amounting to RMB10 million (for the six months ended 30 June 2015: nil). The fair value of the option as at 30 June 2016 are determined using Monte-Carlo simulation with the following key assumptions:

	30 June 2016	31 December 2015
99% interest of property valuation	RMB5,841 million	RMB5,732 million
Time to maturity	4.47 years	4.97 years
Risk-free rate	2.77%	2.89%
3-year forward 2-year risk free rate	3.07%	3.20%
Volatility	5%	5%

The property was valued by direct comparison approach with reference to market comparable transactions where available and assumed sale of the property with the benefit of vacant possession. The above risk free rates were determined with reference to yields of RMB China government bond. The volatility was determined with reference to the average rent of Premium Grade A office in the same region as the location of the subject investment property.

The call option that is measured at fair value at the end of the reporting period is grouped under Level 3. Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability.

An increase in the property valuation would result in an increase in the fair value of the call option, and vice versa. If the property valuation is 3% (31 December 2015: 3%) higher and lower while all other variables are held constant, the carrying amount of the call option would increase by approximately RMB154 million (31 December 2015: RMB150 million) and decrease by approximately RMB137 million (31 December 2015: RMB120 million) respectively.

18 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 2016, 43,450,898 share options (31 December 2015: 86,530,274 share options) remained outstanding under the Scheme, representing 0.5% (31 December 2015: 1.1%) 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 RMB1 million (for the six months ended 30 June 2015: RMB2 million) in the condensed consolidated statement of profit or loss for the current period in relation to share options granted by the Company.

No share options were exercised during the six months ended 30 June 2016. The movement in the Company's share options during the current period is set out below:

		Number of options			
Date of grant	Exercise price HK$	At 1 January 2016	Exercised during the period	Lapsed during the period	At 30 June 2016
20 June 2007	6.45	30,879,741	–	(30,879,741)	–
1 August 2007	7.54	495,773	–	–	495,773
2 October 2007	9.22	267,799	–	(4,649)	263,150
1 November 2007	10.86	229,778	–	–	229,778
3 December 2007	9.11	67,696	–	(24,466)	43,230
2 January 2008	8.27	1,636,194	–	(499,979)	1,136,215
1 February 2008	7.42	317,109	–	(92,513)	224,596
3 March 2008	7.08	277,504	–	(201,075)	76,429
2 May 2008	7.31	2,674,115	–	(683,597)	1,990,518
2 June 2008	6.77	5,931,901	–	(1,473,095)	4,458,806
2 July 2008	5.95	206,111	–	(60,154)	145,957
4 September 2009	4.52	6,050,011	–	(534,002)	5,516,009
18 January 2012	2.41	9,512,122	–	(1,733,839)	7,778,283
3 September 2012	4.93	21,333,420	–	(6,464,266)	14,869,154
7 July 2015	2.092	6,651,000	–	(428,000)	6,223,000
		86,530,274	–	(43,079,376)	43,450,898
Categorised as:					
Consultant		217,000	–	(217,000)	–
Employees		86,313,274	–	(42,862,376)	43,450,898
		86,530,274	–	(43,079,376)	43,450,898
Number of options exercisable		68,891,804			31,945,124

18 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 to 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 six months period ended 30 June 2015, 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) 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) 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 conditions relating to the Group's performance and the individual performance being met during the 3-year performance period.

As at 30 June 2016, 24,854,000 (31 December 2015: 24,854,000) shares are allotted at par and held by the trust for the share award schemes.

RMB4 million (for the six months ended 30 June 2015: 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".

	Number of shares awarded				
	Outstanding at 1 January	Movement during the period			Outstanding at 30 June
Vesting dates	2016	Awarded	Vested	Lapsed	2016
Connected Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	6,862,500	–	–	(2,147,500)	4,715,000
2 January 2018	3,431,250	–	–	(1,073,750)	2,357,500
2 January 2019	3,431,250	–	–	(1,073,750)	2,357,500
	13,725,000	–	–	(4,295,000)	9,430,000
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
	21,430,000	–	–	(4,295,000)	17,135,000

19 Acquisition of Subsidiaries

Pursuant to a sale and purchase agreement entered into on 18 December 2015 between an indirectly wholly-owned subsidiary of the Company, as a purchaser, and the joint venture partner of Portspin Limited ("Portspin"), a then joint venture of the Group that the Group owned 39.86% equity interest in Portspin, as a seller, the joint venture partner agreed to sell and the Group agreed to acquire the remaining 60.14% of the equity interest and the related shareholders' loans in Portspin for an aggregate cash consideration of US$563 million, of which US$156 million (approximately RMB1,014 million translated using the exchange rate as at 19 January 2016) was settled on 19 January 2016 and US$407 million (approximately RMB2,670 million translated using the exchange rate as at 19 January 2016) is to be settled on 29 December 2017. The transaction was completed on 19 January 2016 and Portspin became a subsidiary of the Company upon completion. Portspin is an investment holding company and its subsidiaries owned a parcel of land in Shanghai, the PRC, which is held for property development for sale. The acquisition will increase the Group's investment in the residential sector and allow the Group to consolidate a prestige residential project in Shanghai.

In accordance with the sale and purchase agreement, when certain conditions are met, in addition to the US$407 million being the consideration, the Company shall pay the seller at the maximum equal to US$15 million (approximately RMB98 million translated using the exchange rate as at 19 January 2016). The present value of such deferred consideration of US$422 million (approximately RMB2,768 million) discounted for about 2 years using the weighted average borrowing rate of the Company's bank and other borrowings outstanding during 2015 of 6.26% per annum is RMB2,452 million.

The acquisition is accounted for using the acquisition method of accounting in accordance with IFRS 3 *Business Combinations*. The Directors of the Company believe that the acquired items constitute a business in accordance with IFRS 3 (for example, construction activities and pre-completion sales activities had been started before the acquisition). The bargain purchase gain recognised was RMB369 million, which is attributable to the increase in the valuation of the subject properties under development for sale after the negotiation of consideration.

In addition, the difference between the fair value of the existing interest in a joint venture and the aggregate carrying amount of interests in and loans to a joint venture amounting to RMB498 million was recognised in profit or loss during the current period as gain on deemed disposal of a joint venture.

Acquisition-related costs of RMB38 million have been expensed in the profit or loss in the current period and included in "general and administrative expenses" line item in the condensed consolidated statement of profit and loss.

19 Acquisition of Subsidiaries (Continued)

The recognised amounts of assets and liabilities of the acquired companies at the date of acquisition (which is 19 January 2016) are set out below:

	RMB'million
Property, plant and equipment	12
Properties under development for sale	7,760
Accounts receivable, deposits and prepayments	4
Deferred tax assets	14
Restricted bank deposits	318
Bank balances and cash	50
Accounts payable and accruals	(540)
Loans from and amounts due to the Group	(2,159)
Loans from and amounts due to a shareholder	(3,258)
Bank and other borrowings	(513)
Deferred tax liabilities	(618)
Less: Non-controlling interests	(110)
Net assets acquired	960
Consideration paid out of restricted bank deposits (note)	1,014
Deferred consideration	2,452
Less: Loans from and amounts due to a shareholder acquired	(3,258)
Plus: Fair value of existing interest in a joint venture	383
Less: Fair value of net assets acquired	(960)
Bargain purchase gain (included in "other gains and losses" in the profit or loss)	(369)
Cash inflow on acquisition:	
Cash and cash equivalent balances acquired	50

Note:
As at 31 December 2015, US$156 million (equivalent to RMB1,014 million) was set aside for the payment of the consideration and was included in "restricted bank deposits". The consideration was paid during the current period.

Included in the profit of the Group for the six months ended 30 June 2016 is a loss of RMB21 million attributable to the acquired companies (after elimination of transactions with the Group). The acquired companies did not have any turnover during the current period.

20 Disposals of Subsidiaries

(a) Disposal of equity interest in Infoshore International Limited

Pursuant to a sale and purchase agreement entered into with independent third parties on 10 December 2015, the Group, on 2 February 2016, completed a disposal of its entire equity interest in a subsidiary, namely Infoshore International Limited ("Infoshore") and the related shareholders' loans for an aggregate cash consideration of approximately RMB5,759 million. Infoshore indirectly held investment properties located in Shanghai, the PRC. The related assets and liabilities of Infoshore were classified as held-for-sale as at 31 December 2015 in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The net assets of the subsidiaries being disposed of at the date of the disposal were as follows:

	RMB'million
Net assets disposed of:	
Investment properties	5,700
Accounts receivable, deposits and prepayments	64
Deferred tax assets	45
Bank balances and cash	215
Accounts payable, deposits received and accrued charges	(208)
Deferred tax liabilities	(527)
	5,289
Gain on disposal of the subsidiaries:	
Cash consideration received (note (i))	5,661
Add: Consideration receivable (note 12)	98
Less: Transaction costs	(50)
Less: Net assets disposed of	(5,289)
Add: Non-controlling interests	41
	461
Increase in fair value of the investment properties recognised during the period	10
Gain on disposal (presented as "gain on investment properties disposed of")	471
Net cash inflow arising on the disposal:	
Cash consideration received, net of transaction costs	3,843
Less: Restricted bank deposits (note (ii))	(223)
Less: Bank balances and cash disposed of	(215)
	3,405

Notes:
(i) Consideration received included RMB1,768 million deposited in an escrow account and was presented as "restricted bank deposits" as at 31 December 2015. Such amount is released during the current period.
(ii) Restricted bank deposits amounting to RMB223 million was deposited in an escrow account on 2 February 2016 and will be released when the 1% equity interest of the subsidiary of Infoshore established in the PRC held by a non-controlling shareholder is transferred to the buyer.

During the six months period ended 30 June 2016, included in the Group's turnover and the Group's profit for the period were turnover of RMB16 million and a loss of RMB2 million respectively attributable to the subsidiaries disposed of.

20 Disposals of Subsidiaries (Continued)

(b) Disposal of equity interest in Foshan Yuan Kang Property Development Co., Ltd.

Pursuant to a sale and purchase agreement entered into with an independent third party on 14 April 2016, the Group disposed of the entire equity interest in Foshan Yuan Kang Property Development Co., Ltd. ("Foshan Yuan Kang"), a wholly-owned subsidiary of the Company, at an aggregate consideration of RMB1,842 million. Foshan Yuan Kang owned a property development project in Foshan, Guangdong Province, the PRC. The disposal was completed on 24 June 2016.

The net assets of the subsidiary being disposed of at the date of disposal were as follows:

	RMB'million
Net assets disposed of:	
Investment properties	76
Properties under development for sale	1,770
Bank balances and cash	10
	1,856
Loss on disposal of the subsidiary:	
Cash consideration received	876
Add: Consideration receivables (note 12 and below)	966
Less: Transaction costs	(1)
Less: Net assets disposed of	(1,856)
Loss on disposal (included in "other gains and losses" line item)	(15)
Net cash inflow arising on the disposal:	
Cash consideration received, net of transaction costs	875
Less: Bank balances and cash disposed of	(10)
	865

Note:
Included in consideration receivables is an amount of RMB310 million that is to be settled by the buyer twelve months after the end of the reporting period.

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 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Investment properties	46,055	52,318
Property, plant and equipment	1,560	1,090
Prepaid lease payments	7	7
Properties under development for sale	9,503	9,159
Properties held for sale	457	81
Accounts receivable	50	84
Bank deposits	3,251	3,082
	60,883	65,821

In addition, the equity interests in certain subsidiaries with carrying amount of net assets of RMB15,191 million (31 December 2015: RMB14,604 million) are also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

Included in investment properties, accounts receivable and bank deposits as at 31 December 2015 were RMB5,700 million, RMB47 million and RMB93 million, respectively, were included under assets classified as held for sale.

22 Commitments and Contingencies

(a) Capital and others commitments

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

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Contracted but not provided for:		
Development costs for investment properties under construction or development	5,016	5,561
Development costs for properties under development held for sale	3,843	4,151
Acquisition of subsidiaries	–	3,656
	8,859	13,368

22 Commitments and Contingencies (Continued)

(b) Contingent liabilities

(i) 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 2015: 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 2016 and 31 December 2015, such arrangement has not taken place.

(ii) As at 30 June 2016, the Group has an outstanding guarantee issued 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 RMB55 million (31 December 2015: RMB87 million) in respect of Richcoast's payment obligations to the joint venture and Mitsui.

(iii) As at 30 June 2016, the Group has outstanding financial guarantees issued to independent third parties in respect of outstanding amounts due from subsidiaries of an associate. The maximum amount that could be paid by the Group if the guarantees were called upon is RMB700 million (31 December 2015: RMB472 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 2016. 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 RMB149 million (31 December 2015: RMB145 million) which are trade nature and with the credit period of 40 days granted by the Group, of which 8% (31 December 2015: 14%) are aged less than 90 days, and 92% (31 December 2015: 86%) 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 note 11 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	
	2016 RMB'million (Unaudited)	2015 RMB'million (Unaudited)
SOCL and its subsidiaries other than those of the Group		
Rental and building management fee expenses	2	2
Travelling expenses	4	2
SOCAM and its investees		
Revenue from construction services	90	199
Associates		
Interest income	37	105
Imputed interest income	27	11
Joint ventures		
Interest income	22	30
Project management fee income	1	4
Labor fee income	2	–
Sales commission fee income	2	–
Key management personnel (excluding Directors of the Company)		
Property sales	–	8
Short-term benefits	37	45
Share option expenses	–	1
Share award expenses	2	1
	39	47

24 Fair Value Measurements of Financial Instruments

The Group's derivative financial instruments, other than the call option to buy back an investment property, are measured at fair value at the end of the reporting period that are grouped under 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).

The Group's liabilities arising from rental guarantee arrangements and call option to buy back an investment property are measured at fair value at the end of the reporting period that are grouped under Level 3. The fair values of both instruments are estimated based on Monte-Carlo simulation using key inputs as disclosed in note 16 and 17 respectively.

Interim Dividend

The Board has declared an interim dividend of HKD0.011 per share (2015: HKD0.022 per share) for the six months ended 30 June 2016, which is payable on or about 23 September 2016 to shareholders whose names appear on the register of members of the Company on 12 September 2016.

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 12 September 2016.

Directors' Interests in Securities

At 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have 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

	Number of ordinary shares				
Name of Directors	Personal interests	Family interests	Other interests	Total	Approximate percentage of interests in the Company (Note 4)
Mr. Vincent H. S. LO	–	1,849,521 (Note 1)	4,587,365,484 (Notes 2 & 3)	4,589,215,005	57.17%
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 998,103,792 shares, 1,450,808,826 shares, 183,503,493 shares, 29,847,937 shares, 573,333,333 shares, 908,448,322 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 Doreturn Limited ("Doreturn") respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doreturn 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 2016. 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 4,587,365,484 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) These percentages were compiled based on the total number of issued shares (i.e. 8,026,630,189 shares) at 30 June 2016.

(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
Mr. LO	Shui On Development (Holding) Limited	Family interests	USD1,300,000
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 Interests of Controlled Corporation	USD500,000 USD3,000,000
Mr. Douglas H. H. SUNG	Shui On Development (Holding) Limited	Personal interests	USD450,000
Mr. Anthony J. L. NIGHTINGALE	Shui On Development (Holding) Limited	Personal interests	USD200,000

Save as disclosed above, at 30 June 2016, 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 2016, 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 5)
Mrs. LO	Family and Personal	4,589,215,005 (Notes 1 & 4)	57.17%
HSBC Trustee	Trustee	4,587,365,484 (Notes 2, 3 & 4)	57.15%
Bosrich	Trustee	4,587,365,484 (Notes 2, 3 & 4)	57.15%
SOCL	Interests of Controlled Corporation	4,587,365,484 (Notes 2, 3 & 4)	57.15%

Notes:

(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. LO and 4,587,365,484 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 4,587,365,484 shares under Part XV of the SFO.

(2) These shares were held by SOCL through its controlled corporations, comprising 998,103,792 shares, 1,450,808,826 shares, 183,503,493 shares, 29,847,937 shares, 573,333,333 shares, 908,448,322 shares, 150,000,000 shares and 293,319,781 shares held by SOP, SOI, Chester International, NRI, Lanvic, Boswell, Merchant Treasure and Doreturn respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doreturn 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 2016. 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.

(3) Out of these 4,587,365,484 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) All the interests stated above represent long positions.

(5) These percentages were compiled based on the total number of issued shares (i.e. 8,026,630,189 shares) at 30 June 2016.

Save as disclosed above, at 30 June 2016, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Share Options

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 are set out in note 18 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 2016:

Name or category of Eligible participants	Date of grant	Exercise price per share HKD	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2016	Period during which the share options are exercisable
Consultant								
Mr. Richard K. N. HO	20 June 2007	6.45	217,000	–	–	(217,000)	–	20 June 2007 – 19 June 2016
Sub-total			217,000	–	–	(217,000)	–	
Employees (in aggregate)	20 June 2007	6.45	30,662,741	–	–	(30,662,741)	–	20 June 2009 – 19 June 2016
	1 August 2007	7.54	495,773	–	–	–	495,773	1 August 2009 – 31 July 2016
	2 October 2007	9.22	267,799	–	–	(4,649)	263,150	2 October 2009 – 1 October 2016
	1 November 2007	10.86	229,778	–	–	–	229,778	1 November 2009 – 31 October 2016
	3 December 2007	9.11	67,696	–	–	(24,466)	43,230	3 December 2009 – 2 December 2016
	2 January 2008	8.27	1,636,194	–	–	(499,979)	1,136,215	2 January 2010 – 1 January 2017
	1 February 2008	7.42	317,109	–	–	(92,513)	224,596	1 February 2010 – 31 January 2017
	3 March 2008	7.08	277,504	–	–	(201,075)	76,429	3 March 2010 – 2 March 2017
	2 May 2008	7.31	2,674,115	–	–	(683,597)	1,990,518	2 May 2010 – 1 May 2017
	2 June 2008	6.77	5,931,901	–	–	(1,473,095)	4,458,806	2 June 2010 – 1 June 2017
	2 July 2008	5.95	206,111	–	–	(60,154)	145,957	2 July 2010 – 1 July 2017
	4 September 2009	4.52	6,050,011	–	–	(534,002)	5,516,009	3 November 2010 – 2 November 2017
	18 January 2012	2.41	9,512,122	–	–	(1,733,839)	7,778,283	28 June 2013 – 17 January 2020
	3 September 2012	4.93	10,522,791	–	–	(5,414,779)	5,108,012	3 October 2012 – 28 October 2018
	3 September 2012	4.93	10,810,629	–	–	(1,049,487)	9,761,142	5 November 2012 – 4 November 2019
	7 July 2015	2.092	6,651,000	–	–	(428,000)	6,223,000	7 July 2015 – 6 July 2021
Sub-total			86,313,274	–	–	(42,862,376)	43,450,898	
Total			86,530,274	–	–	(43,079,376)	43,450,898	

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 2016, 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 2016.

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 (as defined in the Listing Rules) on terms no less exacting than the Model Code, to regulate dealings in the securities 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 during the six months ended 30 June 2016.

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 nine members in total, with three Executive Directors and six 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 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. The division of responsibilities of chairman and chief executive of the Company is clearly established and set out in writing.

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, risk management 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 2016, 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. An Investment Sub Committee was established under the Finance Committee for the performance of certain duties of the Finance Committee.

The Finance Committee currently consists of seven members, namely Mr. LO, Mr. Frankie Y. L. WONG ("Mr. WONG"), Sir John R. H. BOND, Dr. FUNG, Professor BIDDLE, Mr. Anthony J. L. NIGHTINGALE ("Mr. NIGHTINGALE") and Mr. Douglas H. H. SUNG. Sir John R. H. BOND, Dr. FUNG, Professor BIDDLE and Mr. NIGHTINGALE are INEDs. The Chairman of the Finance Committee is Mr. LO and the Vice Chairman of the Finance Committee is Mr. WONG.

Award Received

The Company's annual report for the year ended 31 December 2015 was awarded "Silver Award in the category of Traditional Annual Report: Real Estate Development/Service: Various & Multi-Use" 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 10 March 2016, the Company had invited Deloitte, the Company's auditor, to provide training to the Directors. The presentation facilitated interaction between the Directors and Deloitte on the new compliance requirements of the Stock Exchange on risk management/internal audit and environmental, social and governance reporting which are of relevance to the Directors' duties and responsibilities, corporate governance and compliance of the Company. Professor BIDDLE, Dr. McCARTHY, Mr. David J. SHAW and Mr. Douglas H. H. SUNG 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 20 May 2016 and the meeting provided a useful forum to exchange views with the Board.

Purchase, Sale or Redemption of Securities

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 2016.

Disclosure under Rule 13.21 of the Listing Rules

On 10 December 2012, a written agreement (the "Trust Deed") was entered into between the Company as guarantor, Shui On Development (Holding) Limited ("SODH") as issuer and DB Trustee (Hong Kong) Limited ("DB") as trustee of the USD500 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 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 USD637,027,000 8.700% senior notes due 2018 (the "2018 SODH Notes") and USD202,487,000 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 USD550 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 HKD1,000 million; and (ii) tranche B in an aggregate amount equals to USD121.5 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 USD500 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 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 RMB4,898 million at 30 June 2016.

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
Professor Gary C. BIDDLE	– is the Accounting Area Editor for Journal of International Business Studies
Sir John R. H. BOND	– ceased to be a Non-executive Director of A. P. Moller Maersk with effect from April 2016 – ceased to be a member of the Mitsubishi International Advisory Committee with effect from October 2015

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 2015.

Employees and Remuneration Policy

As of 30 June 2016, the number of employees in the Group was 3,445 (31 December 2015: 3,359); which included the headcount of China Xintiandi at 391 (31 December 2015: 510), the headcount of the property management business at 1,660 (31 December 2015: 1,766) and the acquired construction and fitting out business at 336 (not included in 2015 employee headcount disclosure). 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 organised by professional bodies and educational institutes.

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

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Vincent H. S. LO (Chairman)
Mr. Frankie Y. L. WONG
Mr. Douglas H. H. SUNG (Chief Financial Officer)

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
Mr. Anthony J. L. NIGHTINGALE

Audit Committee

Professor Gary C. BIDDLE (Chairman)
Dr. Roger L. McCARTHY
Mr. David J. SHAW

Remuneration Committee

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

Nomination Committee

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

Finance Committee

Mr. Vincent H. S. LO (Chairman)
Mr. Frankie Y. L. WONG (Vice Chairman)
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Mr. Douglas H. H. SUNG
Mr. Anthony J. L. NIGHTINGALE

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 Development Bank
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

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Website

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