PRESSING AHEAD DESPITE ADVERSITIES
迎難而上

INTERIM REPORT 2019
二零一九年度中期業績報告

Shui On Land Limited
瑞安房地產有限公司
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限責任公司)

瑞安房地產
SHUI ON LAND

STOCK CODE 股份代號 272

A LEADING COMMERCIAL FOCUSED PROPERTY DEVELOPER, OWNER AND ASSET MANAGER IN CHINA

Established in 2004 and listed on the Hong Kong Stock Exchange in October 2006, Shui On Land (Stock code: 272) is Shui On Group's flagship property company in mainland China. With its head office in Shanghai, Shui On Land aims to be the leading commercial focused property developer, owner and asset manager in China.

Shui On Land engages principally in the development, sale, leasing, management and long-term ownership of top-notch residential and mixed-use property developments. Over the years, it has built and maintained a solid track record in establishing multi-purpose and sustainable community developments. Constantly employing a clear vision, an innovative mindset and ample international experience, Shui On Land's renowned master-plan approach has enabled it to unearth fully and capture local historic and cultural characteristics in keeping with the development goals of local governments in China. Its unique design concepts, as well as outstanding development and operational track record, also equip it with the uncanny ability to blend harmoniously and seamlessly seemingly disparate elements, such as "Live-Work-Learn-Play", to establish integrated and holistic communities that inject fresh vitality into urban settlements and in the process, provide urban regeneration solutions. Shui On Land is currently working on nine projects in different stages of development. As of June 30, 2019, its landbank stood at 8.6 million sq.m..

CONTENTS
目錄

Its unrelenting pursuit and single-minded dedication to undertake top-quality and innovative developments have enabled Shui On Land to earn an excellent brand and reputation. XIANTANDI, a major cultural landmark and immensely popular destination in Shanghai, as well as new office brand INNO, further bolstered its brand advantage that it nurtured over the years. Leveraging on its competitive advantages, Shui On Land has developed an investment platform with global financial investors and expanded into third-party asset management. It currently has 1.65 million sq.m. of office and retail premises under its management, including its flagship Shanghai Xintiandi project. With its holdings, Shui On Land is one of the largest private commercial property owners and managers in Shanghai. Going forward, Shui On Land will continue capitalising on its brand and asset management track record to further deepen and broaden its foothold in China's core cities for further growth opportunities.

CHAIRMAN'S STATEMENT

The Group put in a steady performance in the first half of 2019, with an increase in profit attributable to shareholders and strong gains in rental and related income. Innovative products and new initiatives helped drive rental income from commercial properties, while our residential sales were on track. Trade tensions with the US have led to slower growth in China, affecting many areas of the economy, including some retail segments. The residential sector remains subject to controls. However, our Asset Light Strategy has prepared us well for the challenges and opportunities we face. We continue to enhance the value of existing and newly acquired assets, while our brand reputation in both the commercial and residential sectors continues to grow. We intend to maintain our prudent approach in the slower growth environment ahead.

FINANCIAL HIGHLIGHTS

In the first six months of 2019, Group revenue amounted to RMB7,902 million. Excluding disposal of Rui Hong Xin Cheng ("RHXC") Lots 1 and 7, RMB5,106 million of property sales was recognised as revenue in 1H 2019, an increase of 76% year-on-year ("Y/Y"). Rental and related income reached RMB1,107 million during the period, an increase of 17% Y/Y.

Gross profit margin increased by 18 percentage points to 45% in 1H 2019 compared to 27% in 1H 2018. With the higher gross profit margin, profit for the period increased by 8% Y/Y to RMB1,598 million. Meanwhile, profit attributable to shareholders also rose 8% Y/Y to RMB1,326 million.

The Group's balance sheet remained strong. Net gearing ratio increased slightly by four percentage points to 44% as of 30 June 2019, compared to end of 2018, while cash and bank deposits also increased by 4% to RMB15,992 million.

> The Group put in a steady performance in the first half of 2019, with an increase in profit attributable to shareholders and strong gains in rental and related income.

The strong financials shall help the Group to better withstand the volatile macroeconomic conditions in the near future.

INVESTMENT PROPERTY AND ASSET MANAGEMENT

During the first half of the year we continued to enhance the value of our investment property portfolio through creation of new assets, innovating in every aspect of our businesses, and deploying effective branding and marketing.

With more than 50% of our commercial assets portfolio in Shanghai, the city Shanghai is and will continue to be our most important market. Shanghai is poised to become the region's premier financial centre over the longer term, as global economic growth continues to be driven by Asia. Although the volume of new office construction in Shanghai has been high in recent years, the quality is inconsistent and location not always ideal. We therefore see tremendous opportunities for the high-quality, well-located space that we offer in the city. On the retail side, despite challenges faced by the sector, our high-end space continues to attract rising footfall and remains in strong demand, underpinning rental income.

Xintiandi in Shanghai is our icon and its repositioning and upgrade have made further progress. The wider XINTIANDI brand now covers the full range of the Group's retail assets and highlights our expertise in commercial asset management. With the new theme of "Social Renaissance", XINTIANDI continues to create cultural and social destinations where people "meet, grow and engage".

The brand reinvigoration reached a milestone on 16 May this year when XINTIANDI PLAZA in Shanghai officially opened. XINTIANDI PLAZA takes "new feminism" as its orientation to create a trendy social destination for today's women. It is an entirely new retail model that integrates retail, leisure, catering and social activities. The excitement generated is reflected in the considerable proportion of first stores among merchants, around 30% in total, including 16 first stores for mainland China and 11 first stores for Shanghai.

We will continue to invest in asset enhancement initiatives to create attractive new cultural and social destinations at our Xintiandi complex in Shanghai. Upgrading of the South Block started in March this year and Xintiandi Style is in the pipeline. Extending Xintiandi and adding diverse elements of entertainment, fashion, art, commerce and lifestyle in this way will further capture greater value of the XINTIANDI brand and consolidate the Group's reputation as a leader in commercial property management.

Late last year we launched our new office brand INNO with INNO Zhujiang Lu in Nanjing. In this project, we manage the asset for a third party and are responsible not only for leasing but also asset enhancement. Following success in Nanjing, in April this year, we are expanding the concept to Shanghai, with the official launch of INNO KIC, a 45,700 square metres ("sq.m"). Gross Floor Area located in Yangpu's Xinjiangwan district. The project comprises five product modules, which together aim to provide a complete life-cycle workspace solution for start-ups, small-to-medium and larger enterprises. The platform integrates work, entrepreneurship, learning and leisure, with the ultimate objective of creating a diversified working ecosystem that promotes the growth and development of enterprises.

The expansion and enhancement of our portfolio drove the Group's investment properties to achieve a strong 17% increase in rental and related income to RMB1,107 million in the first six months of 2019. We will continue to leverage our brand reputation and management expertise to enhance the value of existing and newly acquired assets through innovation.

PROPERTY DEVELOPMENT AND RESIDENTIAL SALES

Our reputation for quality and reliability continues to provide a clear advantage in our residential property business amidst a slower economy. While the bulk of sales are scheduled for the second half of the year, sales in the first half year were in line with expectations. Our sales benefitted from the partial easing of government restrictions, which has supported transaction volumes while restraining price growth.

Accumulated contracted residential property sales amounted to RMB3,277 million for the first six months of 2019. Wuhan Optics Valley Innovation Tiandi Lot R1, the first phase of this project, was launched to very strong demand in April 2019. Some 97% of the properties, totalling 198 units ranging in size from 140 to 298 sq.m., were sold on the first day. Sales in the second half will come from RHXC in Shanghai, as well as further units in Wuhan, Foshan and Chongqing.

In June, we acquired a 34.8% effective interest in a 319,871.9 sq.m. site in Nanjing from our sister company SOCAM Development Limited for RMB148 million. Nanjing is the capital of Jiangsu Province and one of the most prosperous second-tier cities in China. The Group has already commenced two asset management projects in Nanjing. Expansion in the Nanjing market is thus in line with our growth strategy.

The plot acquired is located in the core area of Nanjing's Qixia District, where the local government is considering to redevelop and transform the relevant area into a high-end community incorporating "culture, tourism and living". Our experience in urban regeneration and expertise in large-scale master-planned community development put us in a favourable position to undertake this project.

ASSET LIGHT STRATEGY AND PARTNERSHIPS

Our Asset Light Strategy is performing according to plan and allows the Group to access new opportunities while reducing investment risk through strong, long-term partnerships. A major development of the strategy during the period was the completion by the Shui On Land Core-Plus Office Investment Venture ("SCOV") of its first acquisition, 5 Corporate Avenue. This is a premier Grade-A office complex located in the Xintiandi area in Shanghai and the total consideration was HKD6,500 million. We will look to refine the tenant mix and carry out any necessary asset enhancement initiatives to improve the rental yield.

SCOV is a real estate investment platform founded by Shui On Land, Manulife Investors and China Life Trustees Limited at the end of 2018 to invest in core and core-plus office assets in Shanghai as well as other tier-one Chinese cities. As the investment manager and asset manager, we are responsible for deal sourcing, due diligence, negotiation, closing and asset management services for SCOV.

This is an important first step in establishing a pool of long-term capital that will allow us to invest and expand our property portfolio alongside other international institutional investors. SCOV will provide the Group with stable, recurrent rental and management income, further diversifying our revenue sources and enhancing our position in commercial property market. A total capital of USD750 million has been committed so far, with the Group providing USD100 million. We expect to reach our target of USD1,000 million in capital commitment in the near future. In future years, we may consider establishing similar joint-investment vehicles that might attract investors with different profiles.

OUTLOOK

Looking ahead, we remain very cautious regarding the economic environment. The tensions between China and the US are deep-rooted politically and long-term in nature. As such, trade issues are likely to continue to be a matter of contention between the two countries in the foreseeable future. This and other factors have led many financial institutions over the world to downgrade their forecasts for economic growth.

We are nevertheless confident of making steady progress in the second half of the year. Government policy will continue to be restrictive towards residential property sales, restraining price rises. However, we believe our target of RMB10 billion in residential property sales is achievable. We expect rental and related income to increase further. In regard to our investment properties, we will continue to enhance our assets, building in particular on the XINTIANDI and INNO concepts. Our focus will remain on high quality buildings in prime locations, supported by innovative branding to attract consumers and an integrated approach to serving tenants. Technology and economic growth are changing the aspirations of Chinese businesses and consumers at an incredible speed. Companies like ours that are on top of these trends will reap great rewards.

Sustainability of our operations is something we focus on more and more. We believe it should encompass three aspects, economic, social and environmental. We therefore invest in building public spaces for the wider community, supporting heritage preservation and the arts. We also increasingly incorporate sustainability criteria into our master planning, construction and operations, focusing on areas such as reducing waste and carbon emissions, and enhancing energy efficiency.

Finally, our ability to navigate the ever-changing waters of the global economy and the Chinese property market is reliant on not only a sound strategy, but prompt and solid implementation. The Group is led in its day-to-day operations by a capable management team, with Stephanie Lo working with me on strategy and also responsible for corporate development, business and product innovation, Douglas Sung overseeing investments and finance management, and Jessica Wang in charge of project development and asset management. The Group's results in recent years should inspire confidence in our new management.

THANK YOU

I wish to convey my sincere thanks to fellow Board members for their counsel, our management and employees for taking "ownership" of projects to ensure their success, as well as our business partners for their continued support.

It is clear that we face an uncertain environment. It is therefore important that we continue to exercise prudence in deploying capital and deepen the co-operation we enjoy with our partners. Our strong balance sheet positions us well to meet challenges that lie ahead, while enabling us to take advantage of opportunities. With a strategy that is increasing the stability of our earnings, we aim to create sustainable value for shareholders.

Vincent H. S. LO
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

- **Strong increase in recurrent income:** Rental and related income grew by 17% Y/Y, as the Group continues its transition into a leading commercial focused property company.

- **8% increase in profit attributable to shareholders:** Gross profit margin increased by 18 percentage points to 45% in the first half of 2019 ("1H 2019") compared to 27% in the first half of 2018 ("1H 2018"). With the higher gross profit margin, profit for the period increased by 8% Y/Y to RMB1,598 million, while profit attributable to shareholders also rose 8% Y/Y to RMB1,326 million.

- **Maintaining prudent capital management and strong financials:** Net gearing ratio increased slightly by four percentage points to 44% as of 30 June 2019, while cash and bank deposits also increased by 4% to RMB15,992 million. The strong financials shall help the Group to better withstand the volatile macroeconomic conditions in the near future.

– **Increased effective ownership of core commercial portfolio in Shanghai:** The acquisition of Brookfield's interest in China Xintiandi Holding ("CXTD") was completed on 15 March 2019. CXTD is a wholly-owned subsidiary of the Group. The acquisition of 5 Corporate Avenue ("5 CA") by Shui On Land managed Core-Plus Office Investment Venture ("SCOV"), was completed on 20 June 2019. The completion of these two transactions allowed the Group to increase its effective ownership of commercial properties located in the prime city areas of Shanghai. The Group currently holds and manages a total GFA of 1.65 million sq.m. of retail and office space in Shanghai (the "Shanghai Portfolio"), in which 53% of the GFA was completed for rental income and the remaining is under development. As of 30 June 2019, the total portfolio asset value of the Shanghai Portfolio was approximately RMB73 billion, while the Group's overall effective interest in this portfolio was 57%. Total asset value attributable to the Group was approximately RMB42 billion, an increase of 24% compared to RMB34 billion as of 31 December 2018.

Shui On Land is transforming into a leading commercial-focused property developer, owner and asset manager in China, anchored by a strong asset base in Shanghai. As one of the preferred real estate operating partners for financial institutions, we believe in the creation of long-term value through the design, development and management of unique office and retail products. Our "Asset Light Strategy" which enables us to greatly enhance our financial strength, diversify our capital base and invest in new opportunities will greatly facilitate this strategic transformation.

KEY ACHIEVEMENTS IN 1H 2019

- Completion of the acquisition of Brookfield's interest in CXTD on 15 March 2019. CXTD is now a wholly-owned subsidiary of the Group.
- Completion of the acquisition of 5 CA by SCOV on 20 June 2019.
- The completion of the above two transactions allowed the Group to increase its effective ownership of commercial properties located in the prime city area of Shanghai. Total asset value attributable to the Group increased by 24% to RMB42 billion as of 30 June 2019 compared to last year end.
- Grand opening of Shanghai XINTIANDI PLAZA post-completion of its asset enhancement initiative ("AEI") in May 2019 with an occupancy rate of 97%.
- Soft opening of Wuhan HORIZON North Shopping Mall in May 2019 with an occupancy rate of 92%.

A MARKET LEADER IN SHANGHAI COMMERCIAL PROPERTY PORTFOLIO

The Group currently holds and manages a total GFA of 1.65 million sq.m. of retail and office space in Shanghai (the "Shanghai Portfolio"), in which 53% of the GFA was completed for rental income and the remaining is under development. Our existing office and retail portfolio is amongst one of the largest in Shanghai. As of 30 June 2019, the total asset value of the Shanghai Commercial Property Portfolio was approximately RMB73 billion. After the completion of the acquisition of Brookfield's interest in CXTD and 5 CA in 1H 2019, the Group's effective interest in the portfolio increased to 57%, from 47% previously. Total asset value attributable to the Group was approximately RMB42 billion, an increase of 24% compared to RMB34 billion as of 31 December 2018.

The table below summarises the development status, asset value and ownership of the Group in the portfolio as of 30 June 2019.

Project	Office GFA sq.m	Retail GFA sq.m	Total GFA sq.m	Attributable GFA sq.m	Asset Value as of 30 June 2019 RMB'billion	% of ownership
COMPLETED KEY PROJECTS						
Shanghai Xintiandi, Xintiandi style, XINTIANDI PLAZA, Shui On Plaza	36,000	94,000	130,000	118,100	11.92	100%/99%/80%/80%
THE HUB	93,000	170,000	263,000	263,000	8.97	100%
Rui Hong Tiandi	–	111,000	111,000	55,000	3.99	49.5%
KIC	186,000	63,000	249,000	115,500	8.34	44.27%/50.49%
INNO KIC	41,000	4,000	45,000	45,000	1.42	100%
5 Corporate Avenue	52,000	27,000	79,000	35,200	6.48	44.55%
SUBTOTAL	**408,000**	**469,000**	**877,000**	**631,800**	**41.12**	
LAND & UNDERDEVELOPMENT KEY PROJECTS						
Shanghai Taipingqiao						
XTD South Block AEI Phase 1	–	10,000	10,000	10,000	0.56	100%
Lots 123/124/132	197,000	106,000	303,000	75,750	17.82	25%
Shanghai RHXC						
Lot 167 B	107,000	12,000	119,000	58,300	6.24	49%
Hall of the Sun	157,000	180,000	337,000	166,800	7.40	49.5%
SUBTOTAL	**461,000**	**308,000**	**769,000**	**310,850**	**32.02**	
GRAND TOTAL	**869,000**	**777,000**	**1,646,000**	**942,650**	**73.14**	

XINTIANDI PLAZA – create cultural social destinations with its new theme of "Social Renaissance"

INVESTMENT PROPERTY PERFORMANCES

Consolidated rental and related income of the Group increased by 17% to RMB1,107 million in 1H 2019 compared to RMB948 million in 1H 2018, due to new rental income arising from the re-opening of Shanghai XINTIANDI PLAZA post-AEI and the strong rental growth generated by The HUB, Shanghai KIC, Foshan Lingnan Tiandi & NOVA and Wuhan Tiandi.

Including the properties held by joint ventures and associates, the total rental and related income generated from the property portfolio was RMB1,202 million in 1H 2019, of which 74% of the rental and related income was contributed by the portfolio located in Shanghai, with the remaining from other cities in China.

RENTAL AND RELATED INCOME, OCCUPANCY RATE OF THE INVESTMENT PROPERTIES

The table below provides an analysis of the rental and related income, occupancy rate from investment properties for 1H 2019 and 1H 2018:

Project	Product	Leasable GFA	Rental & related income RMB'million		Changes	Occupancy rate		Changes
		sq.m.	1H 2019	1H 2018	%	30 Jun 2019	31 Dec 2018	ppt
Shanghai Taipingqiao								
Shanghai Xintiandi	Office/Retail	44,000[1]	184	200	(8%)	97%	100%	(3)
Xintiandi Style	Retail	26,000	54	46	17%	99%	100%	(1)
Shui On Plaza & XINTIANDI PLAZA	Office/Retail	52,000[2]	98	46	113%	97%	87%	10
THE HUB	Office/Retail	263,000	230	191	20%	97%	91%	6
Shanghai KIC	Office/Retail/Hotel	243,000	226	208	9%	94%	96%	(2)
INNO KIC[3]	Office/Retail	45,000	4	–	–	22%	–	–
Wuhan Tiandi	Retail	238,000[4]	151	128	18%	89%	87%	2
Foshan Lingnan Tiandi	Office/Retail	151,000	126	100	26%	86%	86%	–
Chongqing Tiandi	Retail	131,000	29	29	–	53%[5]	59%	(6)
Nanjing INNO Zhujiang Lu	Office/Retail	16,000[6]	5	–	–	56%	–	–
CONSOLIDATED RENTAL AND RELATED INCOME		**1,209,000**	**1,107**	**948**	**17%**			
Shanghai RHXC (Classified as joint venture income in 1H 2019)	Retail	111,000	88	81	9%	79%[7]	94%	(15)
Shanghai Taipingqiao								
5 Corporate Avenue (Classified as associate income in 1H 2019)	Office/Retail	79,000	7[8]	–	–	97%	–	–
GRAND TOTAL		**1,399,000[9]**	**1,202**	**1,029**	**17%**			

1 A total leasable GFA of 10,000 sq.m. was under AEI since March 2019 and was excluded from the above table.

2 AEI of XINTIANDI PLAZA with a total leasable GFA of 28,000 sq.m. was completed in late 2018 and held the soft opening in December 2018.

3 INNO KIC was newly opened in April 2019.

4 Wuhan Tiandi HORIZON North Mall with a total GFA of 72,000 sq.m. held the soft opening on 31 May 2019.

5 Occupancy rate of Chongqing Tiandi area and 6 & 7 Corporate Avenue retail podium were 68% and 61% respectively. 8 Corporate Avenue retail podium is undergoing repositioning and tenant upgrades.

6 Nanjing INNO Zhujiang Lu has been under pre-leasing since 2H 2018. It is an asset light project under management.

7 The Group held 49.5% effective interest in the property. Rental and related income attributable to the Group was RMB44 million in 1H 2019. Occupancy dropped due to the AEI of Palette 3.

8 The acquisition of 5 CA was completed on 20 June 2019. The Group held 44.55% effective interest of the property as of 30 June 2019. Rental and related income of the property for 1H 2019 was RMB133 million. The rental and related income after the completion was RMB7 million. Rental and related income attributable to the Group was RMB3.12 million in 1H 2019.

9 A total GFA of 16,000 sq.m. located at Shanghai Shui On Plaza, Shanghai KIC and Foshan Lingnan Tiandi were occupied by the Group and were excluded from the above table.

The performance of Shanghai Xintiandi was affected by the commencement of an AEI in early 2019 for its South Block retail podium, which has a total leasable GFA of 10,000 sq.m., representing 19% of Xintiandi's total leasable GFA. However, the decline was offset by additional income from XINTIANDI PLAZA'S soft opening since late 2018. Accordingly, total rental income from Shanghai Taipingqiao was up 15% to RMB336 million compared to 1H 2018.

THE HUB and KIC recorded 20% and 9% of rental and related income growth, respectively, in 1H 2019 compared to 1H 2018. The strong performance was due to stronger shoppers' traffic and retail sales growth as well as positive rental reversion achieved during the period. INNO KIC, which has a total GFA of 45,000 sq.m. commenced operation in April 2019 and is currently being leased up for rental contribution in 2H 2019.

Wuhan Tiandi achieved a robust performance with rental and related income growing by 18% to RMB151 million compared to RMB128 million in 1H 2018. The strong performance was contributed by HORIZON – North Shopping Mall (Lot B4 Retail) which held soft-opening on 31 May 2019 with 92% of GFA leased. HORIZON – North Shopping Mall (Lot B4 Retail) is a "Garden Themed Design" shopping mall with a total GFA of 72,000 sq.m. located at Site B of Wuhan Tiandi. It is positioned to create a healthy and green lifestyle for middle class and young families in the neighbourhood.

Rental and related income of Chongqing Tiandi remained stable in 1H 2019. The occupancy rate was 68% for the Tiandi retail area and the occupancy rate of 6 and 7 Corporate Avenue retail podium (Lot B12-3 Retail) was 61%. 8 Corporate Avenue retail podium (Lot B12-4 Retail) is undergoing repositioning and tenant upgrades.

Since its grand opening in December 2016, the NOVA shopping mall at Foshan Lingnan Tiandi has seen its occupancy levels increase, reaching 100% as of 30 June 2019, and the occupancy rate for Lingnan Tiandi was 90%.

Night view of Rui Hong Xin Cheng • Hall of the Moon

The rental and related income generated from these two properties reached RMB126 million in 1H 2019, an increase of 26% compared to 1H 2018. The strong performance was due to stronger shoppers' traffic and retail sales growth as well as positive rental reversion achieved during the period.

The shoppers traffic and retail sales of the commercial portfolio increased by 20% and 18%, respectively, compared to 1H 2018.

The Group currently has two asset light management projects in Nanjing. Nanjing INNO Zhujiang Lu – a predominantly office project – has a total GFA of 16,000 sq.m. under management by the Group, under a long-term lease contract with a third party landlord. The property has been under pre-leasing since 2H 2018. Nanjing Bai Zi Ting has a total GFA of 45,000 sq.m. and is a primarily retail and culture-focused project. We are planning to launch the project for pre-leasing in 2019.

VALUATION OF THE INVESTMENT PROPERTY PORTFOLIO

The carrying value of the completed and under development investment properties at valuation (excluding hotels for operation, self-use properties and investment property-sublease of right-of-use assets) with a total GFA of 1,203,000 sq.m. was RMB43,632 million as of 30 June 2019. Of this amount, RMB96 million (representing 0.2% of the carrying value) arose from increased fair value during 1H 2019. The properties located in Shanghai, Wuhan, Foshan and Chongqing, respectively, contributed 70%, 16%, 10% and 4% of the carrying value.

The table below summarises the carrying value of the investment properties at valuation as of 30 June 2019 together with the change in fair value for 1H 2019:

Project	Leasable GFA	Increase/ (decrease) in fair value for 1H 2019	Carrying value as of 30 June 2019	Valuation gain /(loss) to carrying value	Attributable carrying value to the Group
	sq.m.	RMB'million	RMB'million		RMB'million
COMPLETED INVESTMENT PROPERTIES AT VALUATION					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	70,000	–	6,985	–	6,965
Shui On Plaza (Office) and XINTIANDI PLAZA	52,000	60	4,300	1.4%	3,481
THE HUB	263,000	23	8,970	0.3%	8,970
Shanghai KIC	243,000	66	8,132	0.8%	3,755
INNO KIC	45,000	1	1,423	0.1%	1,423
Wuhan Tiandi	238,000	–	7,162	–	7,162
Foshan Lingnan Tiandi	151,000	3	4,329	0.1%	4,329
Chongqing Tiandi	131,000	(57)	1,769	(3.2%)	1,752
SUBTOTAL	**1,193,000**	**96**	**43,070**	**0.2%**	**37,837**
INVESTMENT PROPERTIES UNDER DEVELOPMENT AT VALUATION					
Shanghai Taipingqiao					
XTD South Block AEI Phase1[1]	10,000	–	562	–	562
INVESTMENT PROPERTY – SUBLEASE OF RIGHT-OF-USE ASSETS					
Nanjing INNO Zhujiang Lu	16,000	(3)	112		112
GRAND TOTAL	**1,219,000**[2]	**93**	**43,744**		**38,511**

1 A total leasable GFA of 10,000 sq.m. was under AEI since March 2019.

2 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.

PROPERTY DEVELOPMENT

PROPERTY SALES

RECOGNISED PROPERTY SALES

For 1H 2019, total recognised property sales, including property sales recognised as revenue, and other asset disposal was RMB7,817 million (after deduction of applicable taxes), representing a decrease of 56% compared to RMB17,899 million in 1H 2018. Excluding revenue contributed by the disposal of the residential Lots 1 & 7 of Rui Hong Xin Cheng, recognized property sales for 1H 2019 increased by 76% to RMB5,106 million compared to RMB2,899 million in 1H 2019. The average selling price ("ASP") (excluding other asset disposal) decreased by 55% to RMB39,200 per sq.m. compared to 1H 2018, mainly due to the change in project mix.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 1H 2019 and 1H 2018:

	1H 2019			1H 2018		
Project	Sales revenue	GFA sold	ASP[1]	Sales Revenue	GFA sold	ASP[1]
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential	3,326	25,400	138,300	191	1,200	168,300
Shanghai RHXC						
Residential	393	4,200	98,800	2,397	25,000	101,300
Retail	–	–	–	19	450	44,400
Chongqing Tiandi						
Residential[2]	1,428	83,120	22,900	6	570	12,800
Office & Retail	93	10,000	9,800	135	7,200	19,900
Foshan Lingnan Tiandi						
Townhouses	21	800	28,800	14	700	20,000
Low/mid/high-rises	860	50,200	18,700	3	300	10,000
Retail	246	4,780	56,500	4	80	62,500
SUBTOTAL	**6,367**	**178,500**	**38,200**	**2,769**	**35,500**	**82,400**
Carparks and others	180	–	–	149	–	–
SUBTOTAL	**6,547**	**178,500**	**39,200**	**2,918**	**35,500**	**87,000**
Other asset disposal:						
Shanghai RHXC[3]	1,270			14,981		
GRAND TOTAL	**7,817**			**17,899**		
Recognised as:						
– Property sales in revenue of the Group[4]	6,376			17,880		
– Disposal of investment properties[4]	13			19		
– Revenue of associate	1,428			–		
TOTAL	**7,817**			**17,899**		

1 The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of applicable taxes.

2 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Residential sales of RMB1,428 million was contributed by Chongqing Tiandi partnership portfolio and was recognised as revenue of associate. The Group held 19.8% of the partnership portfolio.

3 On 26 June 2018, the Group entered into the agreement to dispose of 49.5% of the interests in certain portfolio of properties in relation to Shanghai RHXC project Lots 1 and 7 residential inventories. The disposal was accounted for the sales of property inventories in the ordinary course of the Group's property business.

4 Sales of commercial properties are recognised as "revenue" 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".

CONTRACTED PROPERTY SALES, OTHER ASSET DISPOSAL, SUBSCRIBED SALES AND LOCKED-IN SALES

The Group's contracted property sales and other asset disposal decreased by 75% to RMB3,422 million in 1H 2019, compared to RMB13,728 million in 1H 2018, with residential property sales accounting for 96% and the remainder contributed by commercial property sales. The decrease was mainly due to absence of asset disposals in 1H 2019 and a backend loaded residential sales launch schedule. The Group expects to launch more residential property developments in the second half of 2019 ("2H 2019") according to the construction progress of the developments. The ASP of residential property sales decreased by 38% to RMB18,300 per sq.m. in 1H 2019, compared to RMB29,500 per sq.m. in 1H 2018. The decrease was mainly due to changes in project mix. In 1H 2019, a higher proportion of contracted property sales was generated from lower ASP projects outside of Shanghai.

As of 30 June 2019, a total value of RMB339 million was subscribed subject to formal sales and purchase agreements.

As of 30 June 2019, a total value of RMB7.3 billion was locked-in sales for delivery to customers and for recognition as revenue in 2H 2019 and beyond.

Rendering of Rui Hong Xin Cheng • Hall of the Sun

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 1H 2019 and 1H 2018:

Project	1H 2019 Contracted amount	1H 2019 GFA sold	1H 2019 ASP	1H 2018 Contracted amount	1H 2018 GFA sold	1H 2018 ASP
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao	–	–	–	2,266	15,100	150,100
Shanghai RHXC	16	150	106,700	217	2,100	103,300
Wuhan Tiandi	72	1,900	37,900	–	–	–
Wuhan Optics Valley Innovation Tiandi	541	36,400	14,900	–	–	–
Chongqing Tiandi[1]	2,488	136,150	22,300	2,547	138,500	22,400
Foshan Lingnan Tiandi	95	4,900	19,400	837	44,500	18,800
Carparks and others	65	–	–	41	–	–
SUBTOTAL FOR RESIDENTIAL PROPERTY SALES	**3,277**	**179,500**	**18,300**	**5,908**	**200,200**	**29,500**
Commercial property sales:						
Shanghai RHXC	–	–	–	20	450	44,400
Chongqing Tiandi	62	7,300	8,500	38	1,400	27,100
Foshan Lingnan Tiandi	83	1,600	51,900	13	250	52,000
SUBTOTAL FOR COMMERCIAL PROPERTY SALES	**145**	**8,900**	**16,300**	**71**	**2,100**	**33,800**
Other asset disposal:						
Dalian Tiandi[2]	–			3,160		
Shanghai RHXC[3]	–			4,589		
SUBTOTAL FOR OTHER ASSET DISPOSAL	**–**			**7,749**		
GRAND TOTAL	**3,422**			**13,728**		

1 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Chongqing Tiandi partnership portfolio is a project developed by associates of the Group. The Group held 19.8% of the partnership portfolio.

2 On 14 November 2017, the Group entered into the agreement in relation to the disposal of its all interest in Dalian Tiandi for a consideration of RMB3,160 million. The transaction was completed on 14 May 2018. The Group no longer holds any interest in Dalian Tiandi.

3 On 26 June 2018, the Group entered into the agreement to the disposal of 49.5% effective interests in certain portfolio of properties in relation to Shanghai RHXC project for a total contracted amount of RMB4,589 million.

RESIDENTIAL GFA AVAILABLE FOR SALE AND PRE-SALE IN 2H 2019

The Group has approximately 296,800 sq.m. of residential GFA spanning five projects available for sale and pre-sale during 2H 2019, as summarised below:

Project		Available for sale and pre-sale in 2H 2019		
		GFA in sq.m.	Group's interest %	Attributable GFA in sq.m.
Shanghai RHXC Lot 2	Townhouses	4,000	99%	4,000
Foshan Lingnan Tiandi	Townhouses & High-rises	8,000	100%	8,000
Wuhan Tiandi	High-rises	89,500	100%	89,500
Shanghai RHXC Lot 1	High-rises	108,000	49.5%	53,500
Wuhan Optics Valley Innovation Tiandi	High-rises	59,300	50%	29,700
Chongqing Tiandi	High-rises	28,000	19.8%	5,500
TOTAL		**296,800**		**190,200**

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.

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

RESIDENTIAL PROPERTIES UNDER DEVELOPMENT

Shanghai Taipingqiao – Lakeville Luxe (Lot 116) has a total residential apartment GFA of 94,000 sq.m. (including underground GFA of 6,700 sq.m.). Construction was completed and all of the residential units were launched for pre-sale and delivered to the customers from 2016 to 1H 2019. Lot 118 is under development with a total GFA of 79,000 sq.m. for residential use. Construction commenced in 2018. The new sales centre for Lot 118 is planned for opening in late September 2019.

Shanghai RHXC – The Gallery (Lot 2), with a total GFA of 4,200 sq.m. was delivered in 1H 2019. The remaining batch with a total GFA of 3,400 sq.m. for residential use is scheduled to be launched from 2H 2019. Relocation of Lot 1 was completed in late 2017 with construction commencing in 1H 2018. A total GFA of 108,000 sq.m. will be developed for residential use with the remaining GFA of 3,000 sq.m. for retail shops. The Group plans to launch the first batch for presale in late 2019. New sales centre for Lot 1 was newly opened in June 2019. Relocation of Lot 7 with a total GFA of 159,000 sq.m. was completed in 1H 2019, with construction to commence in 2H 2019.

Wuhan Tiandi – Lot B10 is under construction and is planned to be developed into high-rise residential apartments with a total GFA of 115,000 sq.m.. A total of 27,500 sq.m. was launched for pre-sale in late 2018 and the remaining portion is planned for launch in 2H 2019.

Wuhan Optics Valley Innovation Tiandi – The site was acquired in 2017. The first phase (Lot R1) with a total GFA of 122,000 sq.m. is under construction. Various pre-sales were launched in 2H 2018 and 1H 2019 with a total GFA of 61,800 sq.m. contracted as of 30 June 2019. Construction of Lot R5 for a total GFA of 113,000 sq.m. commenced in 1H 2019 and is planned for pre-sale in 2020.

Chongqing Tiandi – Lot B13 with a total GFA of 253,000 sq.m. and Lot B14 with a total GFA of 89,000 sq.m. were under construction. The Group held 19.8% of the partnership portfolio.

Foshan Lingnan Tiandi – Lot 13a with a total GFA of 52,000 sq.m. commenced construction in 1H 2019 and is planned for presale in late 2019.

COMMERCIAL PROPERTIES UNDER DEVELOPMENT

Shanghai RHXC – Hall of the Sun (Ruihong Tiandi Lot 10) completed relocation in late 2017 and construction works has commenced. It will be developed into a commercial complex comprising two Grade-A Office Towers with a total GFA of 157,000 sq.m., and a total GFA of 180,000 sq.m. to be developed into a shopping mall. The development is planned for completion from 2020 to 2021.

INNO KIC – The internal fitting out works for the two office buildings with a total GFA of 45,000 sq.m. were completed and was opened for operation in April 2019.

Wuhan Tiandi – Lot A1 office building with a total GFA of 160,000 sq.m. is under construction. It is planned for completion in 2021.

By way of a cautionary note, the actual completion and launch dates depend 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 implementing operational adjustments to enhance turnover and increase development efficiency. The Group will also adjust the progress of construction, delivery plan and launch schedules, in accordance with the sales conditions of each project, and with respect to rapidly changing market conditions.

LANDBANK

As of 30 June 2019 the Group's landbank stood at 8.6 million sq.m. (comprising 6.7 million sq.m. of leasable and saleable area, and 1.9 million sq.m. for clubhouses, car parking spaces and other facilities) spread across nine development projects located in the prime areas of four major PRC cities, namely: Shanghai, Wuhan, Chongqing and Foshan. The leasable and saleable GFA attributable to the Group was 4.2 million sq.m.. Of the total leasable and saleable GFA of 6.7 million sq.m., approximately 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 2.7 million sq.m. was under development, and the remaining 2.5 million sq.m. was held for future development. The relocation of Shanghai RHXC Lot 7 was completed in 1H 2019. For Lot 167, 98.4% of the residents has signed relocation agreements as of 30 June 2019.

On 28 June 2019, the Group completed the acquisition of 34.8% effective interest in Nanjing Jiangnan Cement Company Limited, a sino-foreign joint venture, for a total consideration of approximately RMB147.85 million. The joint venture directly and wholly owns the land use rights at the eastern side of Qixia Mountain, Qixia Town, Qixia District, Nanjing, the PRC, which comprises six adjoining land lots with a total area of 319,871.9 square meters and has the right to occupy, use, dispose of and benefit from the properties erected thereof.

By way of a cautionary note, the actual completion date and relocation cost of the above-mentioned 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.

The Group's total landbank as of 30 June 2019, including that of its joint ventures and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA					Clubhouse, carpark and other facilities	Total	Group's interest	Attributable leasable and saleable GFA
	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal				
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
COMPLETED PROPERTIES:									
Shanghai Taipingqiao	–	88,000	121,000	–	209,000	95,000	304,000	99.00%[1]	153,000
Shanghai RHXC	5,000	–	112,000	–	117,000	104,000	221,000	99.00%[2]	61,000
Shanghai KIC	–	164,000	63,000	22,000	249,000	147,000	396,000	44.27%[3]	116,000
THE HUB	–	93,000	170,000	–	263,000	72,000	335,000	100.00%	263,000
Wuhan Tiandi	–	–	238,000	–	238,000	219,000	457,000	100.00%	238,000
Chongqing Tiandi	1,000	–	138,000	–	139,000	249,000	388,000	99.00%[4]	133,000
Foshan Lingnan Tiandi	14,000	16,000	155,000	43,000	228,000	152,000	380,000	100.00%	228,000
INNO KIC	–	41,000	4,000	–	45,000	18,000	63,000	100.00%	45,000
SUBTOTAL	**20,000**	**402,000**	**1,001,000**	**65,000**	**1,488,000**	**1,056,000**	**2,544,000**		**1,237,000**
PROPERTIES UNDER DEVELOPMENT:									
Shanghai Taipingqiao	79,000	197,000	116,000	–	392,000	120,000	512,000	100.00%[5]	164,000
Shanghai RHXC	349,000	157,000	186,000	–	692,000	201,000	893,000	49.50%[6]	342,000
Wuhan Tiandi	115,000	160,000	–	–	275,000	85,000	360,000	100.00%	275,000
Chongqing Tiandi	532,000	259,000	209,000	25,000	1,025,000	265,000	1,290,000	19.80%	203,000
Foshan Lingnan Tiandi	51,000	–	9,000	–	60,000	19,000	79,000	100.00%	60,000
Wuhan Optics Valley Innovation Tiandi	232,000	–	3,000	–	235,000	104,000	339,000	50.00%	117,000
SUBTOTAL	**1,358,000**	**773,000**	**523,000**	**25,000**	**2,679,000**	**794,000**	**3,473,000**		**1,161,000**
PROPERTIES FOR FUTURE DEVELOPMENT:									
Shanghai Taipingqiao	86,000	–	33,000	38,000	157,000	–	157,000	99.00%	156,000
Shanghai RHXC	–	107,000	12,000	–	119,000	39,000	158,000	49.00%	58,000
Wuhan Tiandi	135,000	166,000	94,000	–	395,000	–	395,000	100.00%	395,000
Chongqing Tiandi	72,000	–	65,000	–	137,000	30,000	167,000	19.80%	27,000
Foshan Lingnan Tiandi	27,000	450,000	107,000	80,000	664,000	–	664,000	100.00%	664,000
Wuhan Optics Valley Innovation Tiandi	212,000	486,000	348,000	–	1,046,000	–	1,046,000	50.00%	523,000
SUBTOTAL	**532,000**	**1,209,000**	**659,000**	**118,000**	**2,518,000**	**69,000**	**2,587,000**		**1,823,000**
TOTAL LANDBANK GFA	**1,910,000**	**2,384,000**	**2,183,000**	**208,000**	**6,685,000**	**1,919,000**	**8,604,000**		**4,221,000**

1 The Group has a 99.00% interest in all the remaining lots, expect for Shanghai Xintiandi, Shui On Plaza including XINTIANDI PLAZA, 15th floor in Shui On Plaza, 5 CA and Lot 116, in which the Group has an effective interest of 100.00%, 80.00%, 100.00%, 44.55% and 98.00%, respectively.

2 The Group has a 99.00% effective interest in all the remaining lots, except for The Palette 3, Hall of the Stars, Hall of the Moon, in which the Group has an effective interest of 49.50%.

3 The Group has a 44.27% effective interest in all the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 50.49%.

4 The Group has a 99.00% effective interest in all the remaining lots, except for Lot B15 in which the Group has an effective interest of 19.80%.

5 The Group has a 99.00% interest in Lot 118 for residential use, a 100.00% interest in Shanghai Xintiandi AEI Phase 1 and 25% interest in Lots 123, 124 & 132 for office and retail uses.

6 The Group has a 49.50% effective interest in Lot 10 for office and retail uses and Lots 1 & 7 for residential use, and 49.00% interest in Lot 167A for residential use.

MARKET OUTLOOK

The global economy continued to soften in the first half of 2019, with trade and manufacturing growth sluggish. US-China tensions over trade and technology, coupled with geopolitical uncertainties in the Middle East and rising prospects of a hard Brexit, have eroded business confidence and resulted in falling corporate investment. In July, the International Monetary Fund lowered its 2019 global growth forecast by 0.1% to 3.2%, citing subdued investment and consumer demand, which is resulting in weaker-than-expected trade growth. Global inflation has remained muted, and the Federal Reserve Board adopted precautionary monetary easing measures and interest rate cuts in early August to sustain the US economic expansion.

China's economy confronts immense headwinds from weak external demand and intensified US-China trade disputes. Economic growth moderated from 6.4% in the first quarter of 2019 to 6.2% in the second quarter, but there were signs of an uptick in household consumption towards mid-year when income tax cuts began to have an effect. The RMB exchange rate remained stable in the first half of 2019 but is set to devalue with the US imposition of additional tariffs on imports from China. As a consequence, Chinese government will further loosen monetary and fiscal policies in order to maintain GDP growth within the target range of 6-6.5%.

Due to the scaling back of subsidy for shantytown redevelopment, residential sales in China's low-tier cities have slowed, although tier one and major tier two cities' sales performance remained resilient. In the first half of 2019, the national housing transaction area registered a fall of 1.0%, while housing sales revenue, supported by increasing house prices, rose by 8.4%. Despite a moderation of economic growth, the central government has reaffirmed its "housing is for living, not for speculation" policy and indicated that real estate would not be a short term economic stimulus tool. Furthermore, the regulatory authorities have clamped down on the use of trust funds for land acquisition by property developers. Housing policy is expected to remain tight despite residential sales reaching a turning point this year.

While office take-up remained soft in the first half of the year, investment in commercial property has been strong, especially for en-bloc sales in tier one cities. The transaction volume of property assets in China hit a high of more than US$24 billion in the first half of 2019, according to Jones Lang LaSalle. Supported by China's further "opening up" measures, cross-border investment remains active, with foreign buyers accounting for around 50% of total transactions in the first six months. Shanghai real estate was the preferred investment choice, accounting for 45% of nationwide transactions, as global institutional investors were eager to rebalance their portfolios in a late cycle environment.

Regarding retail property markets, short term downward pressure is increasing as the US-China trade conflict and economic uncertainties negatively impact market sentiment. Retail sales growth in China decreased to 8.4% in the first half from 9.0% last year. Retailers are becoming more cautious to expand even in Tier 1 cities such as Shanghai. According to JLL, Shanghai's retail rental growth is expected to remain stable in the next 12 months. Supported by an expanding middle class and the national strategy to "deepen and expand the domestic consumption market", consumption spending in China is expected to maintain steady growth. New tenant categories like online-to-offline,

smart retailing and wellness-related businesses will continue to lead the transition of China's retail landscape.

Amidst the threats posed by trade tension and structural adjustment, Shanghai's economy managed to rebound from 5.7% growth in the first quarter to 5.9% in the first half of 2019. The municipality is making good progress in accordance with its International Financial Center Action Plan (2018-2020), and on 17 June 2019, the Shanghai-London Stock Connect programme commenced operation. In addition, a new Science and Technology Innovation Board was launched and trading commenced on 22 July 2019. These developments are major steps in the internationalisation of China's capital markets, which will strengthen Shanghai's international financial centre role.

Chongqing achieved economic growth of 6.2% in the first six months, above the 6% target set for the year. The government plans to speed up artificial intelligence, big data, autonomous vehicles and 5G network development to spur growth, and has entered into strategic cooperation with major technology companies including Huawei, Alibaba and Tencent. To bolster its role as the transportation hub of Western China, the municipality aims to upgrade the efficiency of its logistics network. In May 2019, nine provinces in Western China entered an agreement with Singapore to build a new "Land-Sea" channel to Southeast Asia, with Chongqing serving as the hub of the channel. This will further improve Chongqing's regional accessibility.

Wuhan achieved an impressive 8.1% GDP growth in the first half of 2019, with the tertiary sector leading the tempo of economic growth at 8.5%. The government has set ambitious goals to improve the city's competitiveness, aiming to become an international retail centre by 2021, and further elevate the city's status to a "National Central City" by 2035. In addition, the city plans to accelerate development of the Wuhan East Lake High-tech Development Zone with aggressive talent attraction policies.

Foshan's economic growth accelerated from 6.3% in 2018 to 6.9% in the first six months of 2019. Under the newly announced Greater Bay Area development plan, Guangzhou-Foshan was highlighted as one of the three major development poles together with Hong Kong-Shenzhen and

The show flat of Optics Valley Innovation Tiandi


Chongqing Tiandi provides customers with high-class working and living environment

Macao-Zhuhai, Foshan is set to benefit from an increase in urban population following the recent national policy to relax residency registration requirements for cities with urban populations of 1 to 3 million. This should bode well for Foshan residential market, as more non-local residents will now be eligible to purchase their own homes.

Nanjing's 8.1% GDP growth in the first half outperformed the city's 7.5-8.0% growth target set for 2019. The city possesses huge development potential, ranking fifth in A.T. Kearney's 2019 Global Cities Report among Chinese cities. The government aims to take advantage of its ample human resources, which include 850,000 college students and 130,000 post-graduate students. Nanjing aspires to become an innovation-oriented city, and has succeeded in attracting technology companies such as Alibaba and Xiaomi to its Hexi Central Business District.

China's economic outlook is clouded by enormous risks and uncertainties brought on by lingering trade and technology tensions. Years of low interest rates have raised financial vulnerabilities which require careful management by the global central banks. Against this backdrop, China is rebalancing towards a development model propelled by domestic demand to lessen its dependency on external demand. The government has rolled out a city cluster development plan which aims to accelerate urbanisation through gradual easing of the household registration policy. With China's urban housing market reaching a turning point this year, the company will closely monitor changes in the policy environment and will adapt our strategy as necessary to meet the evolving development challenges.

FINANCIAL REVIEW

The Group's *revenue* for the six months ended 30 June 2019 ("1H 2019") decreased by 58% to RMB7,902 million (1H 2018: RMB19,032 million), mainly due to a significant decrease in recognised property sales.

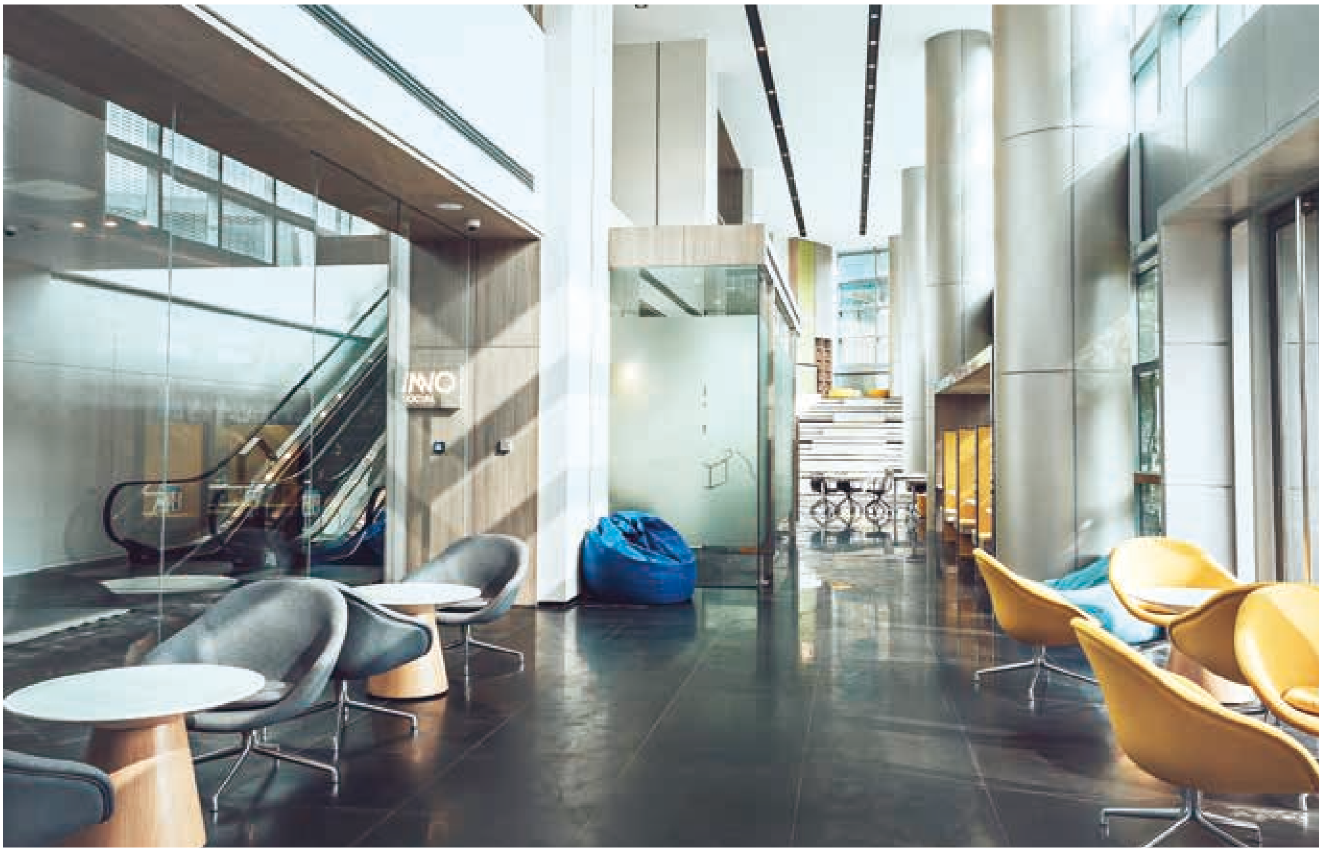
Property sales in 1H 2019 decreased by 64% to RMB6,376 million (1H 2018: RMB17,880 million).

Property sales in 1H 2019 comprise of normal property sales and a one-off disposal of 49.5% interest in the residential developments at RHXC Lots 1 and 7 to a third party (the "RHXC Disposal"). In 1H 2019, normal property sales increased to RMB5,106 million (1H 2018: RMB2,899 million). The normal property sales delivered in 1H 2019 mainly comprised TPQ Lot 116, which amounted to RMB3,326 million, Foshan (mainly in Lots 2/3), which amounted to RMB1,127 million, and RHXC The Gallery (Lot 2), which amounted to RMB393 million. In 1H 2018, normal property sales delivered mainly comprised RHXC The Gallery (Lot 2), which amounted to RMB2,397 million, and TPQ 116, which amounted to RMB191 million.

In relation to the RHXC Disposal, while the disposal was completed in 1H 2018, the relevant payments are subject to the project's land clearance progress. The final land clearance of RHXC Lot 7 was completed in 1H 2019 and accordingly, the Group recognized the remaining revenue of RMB1,270 million in 1H 2019 (1H 2018: RMB14,981 million). Details of 1H 2019 property sales are in the paragraph titled "Property Development" in the Business Review Section.

Income from property investment increased to RMB1,151 million (1H 2018: RMB996 million), while rental and related income from investment properties increased to RMB1,107 million (1H 2018: RMB948 million). Rental and related income from the Group's Shanghai properties increased to RMB796 million (1H 2018: RMB691 million), accounting for 72% of total rental and related income. The Group saw a 17% increase in rental and related income generated from Shanghai, Wuhan and Foshan mainly due to sustained rental growth from its existing completed properties, including properties that have undergone assets enhancement. The assets enhancements of XINTIANDI PLAZA and INNO KIC were completed during 1H 2019. Income from hotel operations, comprising contributions from the Marco Polo Hotel in Foshan, decreased to RMB44 million in 1H 2019 (1H 2018: RMB48 million). Details of the business performance of investment properties are in the paragraph titled "Investment Property Performances" in the Business Review Section.

Construction income generated by the construction business increased to RMB197 million in 1H 2019 (1H 2018: RMB48 million).



INNO SOCIAL@KIC provides a more diverse and vivid social space for KIC

Wuhan Tiandi provides various leisure and entertainment life experiences

Gross profit in 1H 2019 decreased by 31% to RMB3,578 million (1H 2018: RMB5,171 million), while gross profit margin increased to 45% (1H 2018: 27%). The decrease was mainly due to lower property sales and a decrease in profits recognized for the RHXC Disposal which was partially offset by higher gross profit arising from income from property investment. Gross profit from income from property investment reached RMB804 million (1H 2018: RMB740 million), representing a 9% increase when compared with the corresponding period.

Other income increased by 47% to RMB213 million (1H 2018: RMB145 million), which comprised bank interest income and interest income from joint ventures and associates. The increase in other income was due to an increase in loans to joint venture and associates.

Selling and marketing expenses decreased by 47% to RMB77 million (1H 2018: RMB145 million). This was mainly due to lower selling and promotional activities as the Group's residential products have already been well accepted by the market.

General and administrative expenses, which comprises staff costs, depreciation charges and advisory costs incurred, increased by 3% to RMB455 million (1H 2018: RMB442 million).

As a result of the above, *operating profit* decreased by 31% to RMB3,259 million in 1H 2019 (1H 2018: RMB4,729 million).

Increase in fair value of investment properties was RMB93 million in 1H 2019 (1H 2018: RMB40 million). The increase in fair value of investment properties for 1H 2019 represented a 0.2% gain compared with the value of investment properties as of 30 June 2019. In 1H 2019, the Group reported a RMB150 million fair value gain for certain investment properties in Shanghai, which was partially offset by a fair

Foshan Lingnan Tiandi brings new interactive commercial experience to local residents

The interior view of XINTIANDI PLAZA

value loss amounting to RMB57 million for the Chongqing project. The paragraph titled "Investment Property Performances" in the Business Review Section provides detailed descriptions of these properties.

Other gains and losses amounted to a lower year-on-year loss of RMB133 million (1H 2018: RMB558 million). This comprised cost arising from hedging activities of RMB119 million (1H 2018: RMB53 million). A one-off loss of RMB380 million arising from the provision of commercial lands costs in Foshan Lingnan Tiandi was made in 1H 2018.

Share of gains (losses) of joint ventures and associates was RMB27 million in 1H 2019 (1H 2018: a loss of RMB4 million).

Finance costs, inclusive of exchange differences, amounted to RMB868 million (1H 2018: RMB944 million). Total interest costs decreased by 14% to RMB1,140 million (1H 2018: RMB1,332 million), due mainly to the repayment of bank borrowings and senior notes. Of these interest costs, 28% (1H 2018: 34%) or RMB315 million (1H 2018: RMB454 million) was capitalised as cost of property development, with the remaining 72% (1H 2018: 66%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. An exchange loss of RMB17 million (1H 2018: RMB33 million) was recorded as a result of the depreciation of the RMB against the HKD and the USD in 1H 2019.

Reversal (provision) of impairment losses under expected credit loss model, amounted to a gain of RMB180 million (1H 2018: a loss of RMB183 million), due to the reversion of a provision of bad debts relating to part of our Foshan companies disposed to a third party in 2016. According to the sale and purchase agreement, the purchaser would provide a final payment of RMB180 million to the Group once the land clearance of certain lots has been done.

The captioned land clearance resolved in 1H 2019 and the purchaser has also provided payment to the Group accordingly. As such, the Group reversed the relevant provision of RMB180 million previously made in 1H 2018.

Profit before taxation decreased by 17% to RMB2,558 million (1H 2018: RMB3,080 million)due to a lower gross profit arising from the factors outlined above.

Taxation decreased 40% to RMB960 million (1H 2018: RMB1,601 million). The tax rate including PRC land appreciation tax in 1H 2019 was 37.53% (1H 2018: 51.98%). PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. 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. The lower tax rate was mainly due to lower land appreciation tax and deferred taxation in 1H 2019.

Profit in 1H 2019 was RMB1,598 million (1H 2018: RMB1,479 million).

Profit attributable to shareholders of the Company in 1H 2019 was RMB1,326 million, an increase of 8% from the corresponding period (1H 2018: RMB1,225 million).

Core earnings of the Group are as follows:

	Six months ended 30 June		
	2019 RMB'million	2018 RMB'million	Change %
Profit attributable to shareholders of the Company	1,326	1,225	8%
Increase in fair value of investment properties	(96)	(40)	
Effect of corresponding deferred tax charges	24	10	
Realised fair value gains from investment properties disposed of	(3)	6	
Realised bargain purchase gain from acquisition of subsidiaries	159	8	
Impairment loss on investment properties under development at cost	–	380	
Share of results of associates – realised fair value gains from investment properties disposed of, net of tax	–	374	
Share of results of joint ventures – fair value gains of investment properties, net of tax	(24)	(23)	
	60	715	(92%)
Non-controlling interests	33	18	
Net effect of changes in the valuation	93	733	(87%)
Profit attributable to shareholders of the Company before revaluation	1,419	1,958	(28%)
Add:			
Profit attributable to owners of convertible perpetual capital securities	57	54	6%
Profit attributable to owners of perpetual capital securities	132	125	6%
Core earnings of the Group	1,608	2,137	(25%)

Earnings per share was RMB16.4 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue in 1H 2019 (1H 2018: RMB15.2 cents, which was calculated based on a weighted average of approximately 8,043 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 60% 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.

Having taken into consideration that the Group's financial position and improved cashflow, the Board has resolved to recommend the payment of a 2019 interim dividend of HKD0.036 per share (1H 2018: HKD0.036 per share).

MAJOR ACQUISITION AND DISPOSAL

Over the past few years, the Group has pursued an asset light strategy to strategically dispose selected or non-core assets to increase asset revenue. In addition, the Group has also forged partnerships with strategic partners to develop both residential and commercial properties. The above-mentioned initiatives will help accelerate the Group's strategic transition to a leading commercially focused property developer, owner and asset manager in China.

Details of the 1H 2019 transactions are outlined below:

1) In December 2018, the Group entered into an agreement with Brookfield, an affiliate of Brookfield Asset Management Inc., to acquire 21.894% interest held by Brookfield in CXTD for a consideration of approximately RMB3,406 million. On 15 March 2019, the transaction was completed. For details, please refer to the circular issued by the Company dated 20 February 2019.

2) In December 2018, the Group established SCOV with Manulife Investors and China Life Trustees Limited. The targeted total capital commitment of the office investment platform is USD1.0 billion. The office investment platform's first investment is 5 CA - a prime Grade A office building with an ancillary retail podium and carparks in Taipingqiao, Shanghai. On 20 June 2019, the transaction was completed. For details, please refer to the Company's announcement dated 31 December 2018.

XINTIANDI PLAZA – a space that offers comprehensive new retail and social experience

3) In May 2019, the Group entered into an agreement with Shui On Building Materials Limited, an indirect wholly-owned subsidiary of SOCAM Development Limited to purchase 58% interest of Great Market Limited for a consideration of approximately RMB147.85 million. Great Market Limited can exercise joint control over and directly owns 60% of the equity interest of Nanjing Jiangnan Cement Company Limited which directly and wholly owns certain parcels of land in Nanjing. The acquisition was completed on 28 June 2019. For details, please refer to the Company's announcement dated 14 May 2019.

LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

Up to the date of this report, the Group has arranged a new issuance of senior notes. The purpose of refinancing and redemption is to take advantage of the lower finance costs and to extend the maturity of senior notes. The details are as follows:

In February 2019, the Group issued an aggregate principal amount of USD500 million senior notes due 2021 at a yield of 6.25% per annum.

The structure of the Group's borrowings as of 30 June 2019 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 borrowings – RMB	11,737	1,078	1,670	3,918	5,071
Bank borrowings – HKD	6,397	3,851	1,240	1,306	–
Bank borrowings – USD	7,396	2,980	3,997	419	–
Senior notes – USD	8,690	1,729	3,482	3,479	–
Senior notes – RMB	2,235	–	2,235	–	–
Receipts under securitisation arrangements – RMB	521	6	9	45	461
TOTAL	**36,976**	**9,644**	**12,633**	**9,167**	**5,532**

Total cash and bank deposits amounted to RMB15,992 million as of 30 June 2019 (31 December 2018: RMB15,392 million), which included RMB3,292 million (31 December 2018: RMB2,288 million) of deposits pledged to banks and RMB1,993 million (31 December 2018: RMB3,348 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 30 June 2019, the Group's net debt was RMB20,984 million (31 December 2018: RMB18,877 million) and its total equity was RMB48,026 million (31 December 2018: RMB47,219 million). The Group's net gearing ratio was 44% as of 30 June 2019 (31 December 2018: 40%), calculated based on the excess of the sum of senior notes, receipts under securitisation arrangements, bank borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity. The Group's solid balance sheet should enable it to weather any normal market volatility that may arise.

As of 30 June 2019, HKD/USD borrowings including senior notes (unhedged) amounted to approximately RMB11,513 million in equivalent, which is around 31% of the total borrowings (31 December 2018: 25%).

Total undrawn banking facilities available to the Group amounted to approximately RMB2,335 million as of 30 June 2019 (31 December 2018: RMB2,539 million).

PLEDGED ASSETS

As of 30 June 2019, the Group had pledged investment properties, property, plant and equipment, right-of-use assets/prepaid lease payments, properties under development for sale, properties held for sale, accounts receivable and bank deposits totalling RMB37,205 million (31 December 2018: RMB37,036 million) to secure the Group's borrowings of RMB11,089 million (31 December 2018: RMB11,280 million).

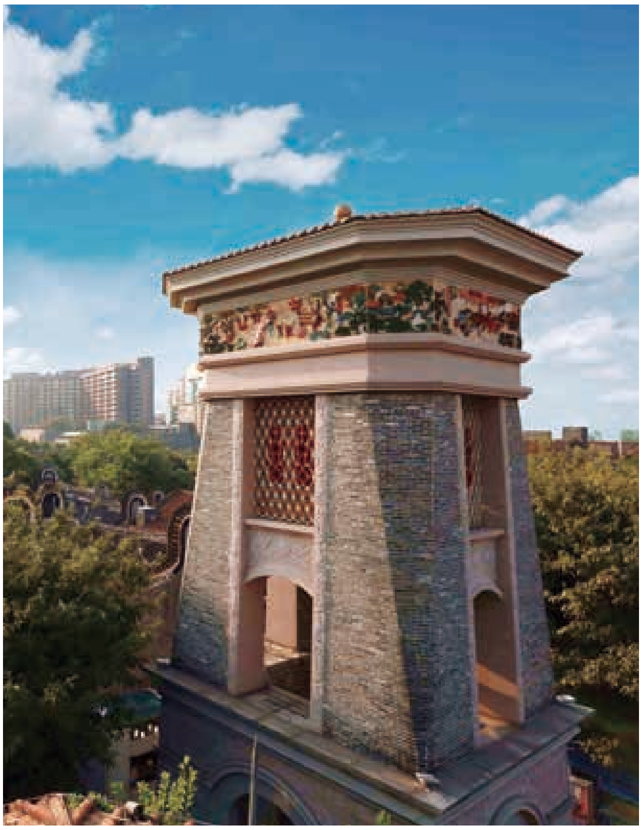
CAPITAL AND OTHER DEVELOPMENT RELATED COMMITMENTS

As of 30 June 2019, the Group had contracted commitments for development costs, capital expenditure and other investments in the amount of RMB2,375 million (31 December 2018: RMB3,501 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.



Foshan Lingnan Tiandi blends the traditional culture and modern life

Wuhan Tiandi has become a popular destination for locals and visitors

EXCHANGE RATE AND INTEREST RATE RISKS

The Group's revenue is denominated in RMB. The RMB senior notes issued in 2018 are also denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the senior notes issued in 2018 does 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 from 2015 to 2019. Thus, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 30 June 2019, the Group has entered approximately USD1,324 million forward to hedge the USD currency risk against RMB and HKD950 million forward to hedge the HKD currency risk against RMB. In addition, from 1 July 2019 till today, the Group has further entered USD120 million forward to hedge the USD currency risk against RMB.

The show flat of Foshan Lingnan Tiandi

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

Save for disclosed above, as of 30 June 2019, 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 indicated.

CONTINGENT LIABILITIES

1) As of 30 June 2019, the Group has outstanding financial guarantees issued to an associate in respect of bank borrowings. The maximum amount that could be paid by the Group if the guarantees were called upon is RMB2,871 million. No such financial guarantee as at 31 December 2018. The financial guarantee were subsequently released in August 2019.

2) The Group provided guarantees of RMB1,265 million at 30 June 2019 (31 December 2018: RMB1,398 million) to banks in favour of its customers in respect of mortgage loans provided by banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

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 34 to 65, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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") issued by the International Accounting Standards Board. 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

28 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June 2019 RMB'million (Unaudited)	 2018 RMB'million (Unaudited)
Revenue			
– The Company and its subsidiaries (the "Group")		**7,902**	19,032
– Share of joint ventures		**44**	40
		7,946	19,072
Revenue of the Group	3A	**7,902**	19,032
Cost of sales		**(4,324)**	(13,861)
Gross profit		**3,578**	5,171
Other income		**213**	145
Selling and marketing expenses		**(77)**	(145)
General and administrative expenses		**(455)**	(442)
Operating profit		**3,259**	4,729
Increase in fair value of investment properties	10	**93**	40
Other gains and losses	4	**(133)**	(558)
Share of gains (losses) of joint ventures and associates		**27**	(4)
Finance costs, inclusive of exchange differences	5	**(868)**	(944)
Reversal (provision) of impairment losses under expected credit loss model	6	**180**	(183)
Profit before taxation	6	**2,558**	3,080
Taxation	7	**(960)**	(1,601)
Profit for the period		**1,598**	1,479
ATTRIBUTABLE TO:			
Shareholders of the Company		**1,326**	1,225
Owners of convertible perpetual capital securities		**57**	54
Owners of perpetual capital securities		**132**	125
Non-controlling shareholders of subsidiaries		**83**	75
		272	254
		1,598	1,479
Earnings per share	9		
– Basic		**RMB16.4 cents**	RMB15.2 cents
– Diluted		**RMB15.9 cents**	RMB14.8 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
Profit for the period	**1,598**	1,479
OTHER COMPREHENSIVE INCOME (EXPENSE)		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		
Exchange difference arising on translation of foreign operations	**–**	3
Fair value adjustments on currency forward contracts designated as cash flow hedges	**(191)**	301
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**196**	(320)
Share of other comprehensive (expense) income of a joint venture	**(18)**	30
ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		
Gain on revaluation of properties transferred from property, plant and equipment to investment properties, net of tax	**–**	8
Other comprehensive (expense) income for the period	**(13)**	22
Total comprehensive income for the period	**1,585**	1,501
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the Company	**1,313**	1,247
Owners of convertible perpetual capital securities	**57**	54
Owners of perpetual capital securities	**132**	125
Non-controlling shareholders of subsidiaries	**83**	75
	272	254
	1,585	1,501

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 30 JUNE 2019

	NOTES	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
NON-CURRENT ASSETS			
Investment properties	10	**49,702**	49,100
Interests in associates	11	**7,460**	4,998
Interests in joint ventures	14	**11,324**	10,682
Property, plant and equipment		**1,046**	1,080
Right-of-use assets		**51**	–
Accounts receivable, deposits and prepayments	12	**300**	1,349
Pledged bank deposits		**3,062**	1,796
Derivative financial instruments	18	**–**	243
Deferred tax assets		**1,013**	1,043
Other non-current assets		**18**	51
		73,976	70,342
CURRENT ASSETS			
Properties under development for sale		**12,673**	11,927
Properties held for sale		**1,376**	5,315
Accounts receivable, deposits and prepayments	12	**3,490**	3,115
Loans to/amounts due from associates	11	**1,916**	3,434
Loans to/amounts due from joint ventures	14	**172**	1,853
Amounts due from related companies		**364**	159
Contract assets	13	**22**	59
Prepaid taxes		**317**	229
Derivative financial instruments	18	**30**	221
Pledged bank deposits		**230**	492
Bank balances and cash		**12,700**	13,104
		33,290	39,908
CURRENT LIABILITIES			
Accounts payable, deposits received and accrued charges	15	**5,995**	10,002
Contract liabilities		**1,426**	6,017
Bank borrowings – due within one year		**7,909**	12,782
Senior notes	16	**1,729**	1,722
Receipts under securitisation arrangements		**6**	5
Tax liabilities		**3,714**	3,196
Loans from/amounts due to non-controlling shareholders of subsidiaries		**1,721**	1,718
Amounts due to associates		**2,377**	383
Amount due to a joint venture		**–**	384
Amounts due to related companies		**194**	15
Liability arising from a rental guarantee arrangement	17	**153**	169
Lease liabilities		**15**	–
		25,239	36,393
NET CURRENT ASSETS		**8,051**	3,515
TOTAL ASSETS LESS CURRENT LIABILITIES		**82,027**	73,857

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 30 JUNE 2019

	NOTES	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**17,621**	13,539
Senior notes	16	**9,196**	5,702
Receipts under securitisation arrangements		**515**	519
Liability arising from a rental guarantee arrangement	17	**234**	380
Deferred tax liabilities		**6,347**	6,490
Lease liabilities		**80**	–
Defined benefit liabilities		**8**	8
		34,001	26,638
CAPITAL AND RESERVES			
Share capital		**146**	146
Reserves		**39,626**	38,901
Equity attributable to shareholders of the Company		**39,772**	39,047
Convertible perpetual capital securities		**1,345**	1,345
Perpetual capital securities		**4,054**	4,055
Non-controlling shareholders of subsidiaries		**2,855**	2,772
		8,254	8,172
TOTAL EQUITY		**48,026**	47,219
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**82,027**	73,857

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	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	Hedge reserve RMB'million
At 1 January 2019 (audited)	**146**	**18,078**	**122**	**(135)**	**11**	**10**	**(138)**	**(107)**
Profit for the period	–	–	–	–	–	–	–	–
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	–	–	–	–	–	–	**196**
Fair value adjustments on currency forward contracts designated as cash flow hedges	–	–	–	–	–	–	–	**(191)**
Share of other comprehensive income of a joint venture	–	–	–	–	–	–	**(18)**	–
Total comprehensive (expense) income for the period	–	–	–	–	–	–	**(18)**	**5**
Acquisition of all the remaining interest in subsidiaries	–	–	–	–	–	–	–	–
Lapse of share options	–	–	–	–	**(2)**	–	–	–
2018 final dividend of HK$0.084 per share paid	–	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–	–
At 30 June 2019 (unaudited)	**146**	**18,078**	**122**	**(135)**	**9**	**10**	**(156)**	**(102)**
At 31 December 2017 (audited)	146	18,076	122	(135)	13	24	(161)	(38)
Adjustments	–	–	–	–	–	–	–	–
At 1 January 2018 (restated)	146	18,076	122	(135)	13	24	(161)	(38)
Profit for the period	–	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	3	–
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	–	–	–	–	–	–	(320)
Fair value adjustments on currency forward contracts designated as cash flow hedges	–	–	–	–	–	–	–	301
Gain on revaluation of properties transferred from property, plant and equipment to completed investment properties	–	–	–	–	–	–	–	–
Deferred tax arising from gain on revaluation of properties transferred from property, plant and equipment to completed investment properties	–	–	–	–	–	–	–	–
Share of other comprehensive income of a joint venture	–	–	–	–	–	–	30	–
Total comprehensive income (expense) for the period	–	–	–	–	–	–	33	(19)
Recognition of equity-settled share-based payment expenses (note 19)	–	–	–	–	1	–	–	–
Exercise of share option (note 19)	–	2	–	–	–	–	–	–
Partially disposal of subsidiaries without losing control	–	–	–	–	–	–	–	–
Disposal of subsidiaries (note 20(b))	–	–	–	–	–	–	–	–
Lapse of share awards and share options	–	–	–	–	(2)	(14)	–	–
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–
2017 final dividend of HK$0.07 per share	–	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–	–
At 30 June 2018 (unaudited)	146	18,078	122	(135)	12	10	(128)	(57)

Attributable to shareholders of the Company									
Other reserves RMB'million	Property revaluation reserves RMB'million	Retained earnings RMB'million	Sub-total RMB'million	Convertible perpetual securities RMB'million	Convertible perpetual capital securities RMB'million	Perpetual capital securities RMB'million	Non-controlling shareholders of subsidiaries RMB'million	Sub-total RMB'million	Total RMB'million
69	88	20,903	39,047	–	1,345	4,055	2,772	8,172	47,219
–	–	1,326	1,326	–	57	132	83	272	1,598
–	–	–	196	–	–	–	–	–	196
–	–	–	(191)	–	–	–	–	–	(191)
–	–	–	(18)	–	–	–	–	–	(18)
–	–	1,326	1,313	–	57	132	83	272	1,585
7	–	–	7	–	–	–	–	–	7
–	–	2	–	–	–	–	–	–	–
–	–	(595)	(595)	–	–	–	–	–	(595)
–	–	–	–	–	–	(133)	–	(133)	(133)
–	–	–	–	–	(57)	–	–	(57)	(57)
76	88	21,636	39,772	–	1,345	4,054	2,855	8,254	48,026
364	84	19,787	38,282	1	1,345	4,052	5,495	10,893	49,175
–	–	(91)	(91)	–	–	–	–	–	(91)
364	84	19,696	38,191	1	1,345	4,052	5,495	10,893	49,084
–	–	1,225	1,225	–	54	125	75	254	1,479
–	–	–	3	–	–	–	–	–	3
–	–	–	(320)	–	–	–	–	–	(320)
–	–	–	301	–	–	–	–	–	301
–	11	–	11	–	–	–	–	–	11
–	(3)	–	(3)	–	–	–	–	–	(3)
–	–	–	30	–	–	–	–	–	30
–	8	1,225	1,247	–	54	125	75	254	1,501
–	–	–	1	–	–	–	–	–	1
–	–	–	2	–	–	–	–	–	2
67	–	–	67	–	–	–	–	–	67
–	–	–	–	–	–	–	(14)	(14)	(14)
–	–	16	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(2)	(2)	(2)
–	–	(461)	(461)	–	–	–	–	–	(461)
–	–	–	–	–	–	(123)	–	(123)	(123)
–	–	–	–	–	(53)	–	–	(53)	(53)
431	92	20,476	39,047	1	1,346	4,054	5,554	10,955	50,002

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June 2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
NET CASH FROM OPERATING ACTIVITIES			
Decrease in inventories of properties		1,869	719
Decrease (increase) in accounts receivable, deposits and prepayments		49	(3,500)
Decrease in contract assets		37	16
(Decrease) increase in accounts payable, deposits received and accrued charges		(436)	111
(Decrease) increase in contract liabilities		(4,591)	295
Other operating cash flows		3,985	3,136
		913	777
NET CASH FROM INVESTING ACTIVITIES			
Interest received		312	139
Additions to investment properties		(169)	(80)
Proceeds from disposal of investment properties		14	24
Proceeds from disposal of assets classified as held for sale		–	443
Proceeds from disposal of associates		351	–
Withdrawal of pledged bank deposits		1,298	1,515
Placement of pledged bank deposits		(2,302)	(656)
Investments in associates		(740)	–
Advances to associates		(1,330)	–
Advances to joint ventures		(644)	(332)
Investments in joint ventures	20(a)	(136)	–
Repayments from associates		2,870	–
Repayments from joint ventures		1,787	640
Deposit on acquisition of the land		–	(680)
Payments made under rental guarantee arrangements		(162)	(170)
Net cash outflow from acquisition of a subsidiary	20(c)	–	(542)
Other investing cash flows		90	(10)
		1,239	291
NET CASH USED IN FINANCING ACTIVITIES			
Repayments of loans from a non-controlling shareholder		(30)	–
Repayments of leases liabilities		(6)	–
Exercise of share option		–	2
Repayment of receipts under securitisation arrangement		(3)	–
Drawdown of borrowings		9,280	6,651
Repayments of bank borrowings		(10,216)	(6,636)
Issue of senior notes		3,324	2,183
Expenditures incurred on issue of senior notes		(4)	(4)
Early redemption fee of senior notes		–	(78)
Repayments of senior notes		–	(5,683)
Settlements for derivative financial instruments designated as cash flow hedge		203	(360)
Interests paid		(922)	(1,110)
Payment of dividends		(595)	(461)
Distribution to owners of perpetual capital securities		(133)	(123)
Distribution to owners of convertible perpetual capital securities		(57)	(53)
Dividend paid to non-controlling shareholders of subsidiaries		–	(2)
Payments for acquisition of the remaining interest in subsidiaries		(3,399)	–
		(2,558)	(5,674)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(406)	(4,606)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		13,104	14,607
Effect of foreign exchange rate changes		2	5
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		12,700	10,006
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		12,700	10,006

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL

The condensed consolidated financial statements for the six months ended 30 June 2019 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" issued by the International Accounting Standards Board.

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.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRS Standards"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRS Standards which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to IFRS Standards in the current period has had no material impact on the Group's performance and financial positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 16 LEASES

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 16 LEASES (CONTINUED)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 16 LEASES (CONTINUED)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies IFRS 15 Revenue from Contracts with Customers ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 16 LEASES (CONTINUED)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised additional lease liabilities of RMB99 million (unaudited), additional right-of-use assets and investment property - sublease of right-of-use assets of equal amount in aggregate adjusted by any prepaid lease payments and restoration and reinstatement costs by applying IFRS 16.C8 (b) (ii) transition at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.9%.

	At 1 January 2019 RMB'million
Operating lease commitments disclosed as at 31 December 2018	620
Lease liabilities discounted at relevant incremental borrowing rates	587
Less: Recognition exemption – short-term leases	(26)
Lease signed but not yet commenced as at 1 January 2019	(462)
Lease liabilities as at 1 January 2019	99
Analysed as	
Current	6
Non-current	93

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 16 LEASES (CONTINUED)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets RMB'million
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	99
Reclassified from prepaid lease payments	31
Restoration and reinstatement costs	2
	132
By class:	
Land and buildings	28
Leasehold land	31
Investment properties	73

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated. There is no material impact for the Group as a lessor on application of IFRS 16.

The transition from IAS 17 to IFRS 16 had no material impact on retained earnings of the Group at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
		RMB'million	RMB'million	RMB'million
NON-CURRENT ASSETS				
Investment properties	(a)	49,100	73	49,173
Right-of-use assets		–	59	59
Other non-current assets	(b)	51	(31)	20
CURRENT LIABILITIES				
Lease liabilities		–	6	6
Accounts payable, deposits received and accrued charges		10,002	2	10,004
NON-CURRENT LIABILITIES				
Lease liabilities		–	93	93

Notes:

(a) In relation to the lease of a property that the Group acts as lessee that meets the definition of investment property in IAS 40, the investment property is initially measured at fair value amounted to RMB73 million, which are presented within "investment properties" as at 1 January 2019.

(b) Upfront payments for leasehold lands in the People's Republic of China ("PRC") were classified as prepaid lease payments and included as other non-current assets as at 31 December 2018. Upon application of IFRS 16, the prepaid lease payments amounting to RMB31 million were reclassified to right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 16 LEASES (CONTINUED)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

There were no material impact applying IFRS 16 as a lessor on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the six months ended 30 June 2019.

3A. REVENUE INFORMATION

Disaggregation of revenue from contracts with customers under IFRS 15.

	Six months ended 30 June	
	2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
PROPERTY DEVELOPMENT:		
Property sales	**6,376**	17,880
Property management fee income and other income	**38**	8
	6,414	17,888
PROPERTY INVESTMENT:		
Income from hotel operations	**44**	48
Property management fee income	**108**	49
	152	97
CONSTRUCTION	**197**	48
OTHERS	**140**	100
	6,903	18,133
GEOGRAPHICAL MARKETS		
Shanghai	**5,514**	17,874
Wuhan	**22**	10
Chongqing	**159**	168
Foshan	**1,208**	81
	6,903	18,133
TIMING OF REVENUE RECOGNITION		
A point in time	**6,376**	17,880
Over time	**527**	253
	6,903	18,133

3A.REVENUE INFORMATION (CONTINUED)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Six months ended 30 June 2019		
	The Group RMB'million	Share of joint ventures RMB'million	Total RMB'million
PROPERTY DEVELOPMENT:			
Property sales	6,376	–	6,376
Property management fee income and other income	38	–	38
	6,414	–	6,414
PROPERTY INVESTMENT:			
Income from hotel operations	44	–	44
Property management fee income	108	–	108
	152	–	152
CONSTRUCTION	197	–	197
OTHERS	140	–	140
REVENUE FROM CONTRACTS WITH CUSTOMERS	6,903	–	6,903
Rental income received from investment properties (property investment segment)	892	44	936
Rental related income (property investment segment)	107	–	107
TOTAL	7,902	44	7,946

	Six months ended 30 June 2018		
	The Group RMB'million	Share of joint ventures RMB'million	Total RMB'million
PROPERTY DEVELOPMENT:			
Property sales	17,880	–	17,880
Property management fee income and other income	8	–	8
	17,888	–	17,888
PROPERTY INVESTMENT:			
Income from hotel operations	48	–	48
Property management fee income	49	–	49
	97	–	97
CONSTRUCTION	48	–	48
OTHERS	100	–	100
REVENUE FROM CONTRACTS WITH CUSTOMERS	18,133	–	18,133
Rental income received from investment properties (property investment segment)	828	40	868
Rental related income (property investment segment)	71	–	71
TOTAL	19,032	40	19,072

3B.SEGMENTAL INFORMATION

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

	Six months ended 30 June 2019 (Unaudited)					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Reportable segment total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External revenue of the Group	6,414	1,151	197	7,762	140	7,902
Share of revenue of joint ventures	–	44	–	44	–	44
Total segment revenue	6,414	1,195	197	7,806	140	7,946
SEGMENT RESULTS						
Segment results of the Group	2,547	706	(3)	3,250	72	3,322
Interest income						201
Other gains and losses						(133)
Share of gains of joint ventures and associates						27
Finance costs, inclusive of exchange differences						(868)
Reversal of impairment losses under expected credit loss model						180
Unallocated income						12
Unallocated expenses						(183)
Profit before taxation						2,558
Taxation						(960)
Profit for the period						1,598

3B. SEGMENTAL INFORMATION (CONTINUED)

	Six months ended 30 June 2018 (Unaudited)					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Reportable segment total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External revenue of the Group	17,888	996	48	18,932	100	19,032
Share of revenue of joint ventures	–	40	–	40	–	40
Total segment revenue	17,888	1,036	48	18,972	100	19,072
SEGMENT RESULTS						
Segment results of the Group	4,114	632	(9)	4,737	69	4,806
Interest income						144
Other gains and losses						(556)
Share of losses of joint ventures and associates						(4)
Finance costs, inclusive of exchange differences						(944)
Provision of impairment losses under expected credit loss model						(183)
Unallocated income						7
Unallocated expenses						(190)
Profit before taxation						3,080
Taxation						(1,601)
Profit for the period						1,479

Segment revenue represents the revenue of the Group and the share of revenue of joint ventures.

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, Directors' salaries, interest income, share of gains (losses) of joint ventures and associates, other gains and losses except for the change in fair value of call option to buy back an investment property, reversal (provision) of impairment losses under expected credit loss model, finance costs inclusive of exchange differences and other unallocated income. This is the measure reported to the chief operating decision makers who are the Executive Directors of the Company for resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
Cost arising from hedging activities	**(119)**	(53)
Impairment loss on investment properties under development at cost (note)	**–**	(380)
Loss on early redemption of senior notes	**–**	(78)
Loss on termination of sales of beneficial interest in certain properties	**–**	(48)
Decrease in fair value of call option to buy back an investment property (note 24)	**–**	(2)
Gain on disposal of investment properties	**6**	3
Others	**(20)**	–
	(133)	(558)

Note: The amount represents the difference between the net realizable value of certain investment properties under development at cost in Foshan and the carrying amount of the properties recognised in profit or loss for the six months ended 30 June 2018.

5. FINANCE COSTS, INCLUSIVE OF EXCHANGE DIFFERENCES

	Six months ended 30 June	
	2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
Interest on bank borrowings	813	911
Interest on senior notes	296	392
Interest on loans from non-controlling shareholders of subsidiaries	29	29
Interest expenses from lease liabilities	2	–
Total interest costs	1,140	1,332
Less: Amount capitalised to investment properties under construction or development, properties under development for sale	(315)	(454)
Interest expense charged to profit or loss	825	878
Net exchange loss on bank borrowings and other financing activities	17	33
Others	26	33
	868	944

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
Operating profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	47	53
Release of prepaid lease payments	–	1
Employee benefits expenses		
Directors' emoluments		
Fees	1	1
Salaries, bonuses and other benefits	19	10
	20	11
Other staff costs		
Salaries, bonuses and other benefits	369	347
Retirement benefits costs	19	19
Share option expenses	–	1
	388	367
Total employee benefits expenses	408	378
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(31)	(46)
	377	332
(Reversal) provision of impairment losses		
Accounts receivable	–	3
Receivables from disposal of a subsidiary	(180)	180
	(180)	183
Cost of properties sold recognised as an expense	3,746	13,536
Reversal of impairment loss on properties held for sale (included in "cost of sales")	(1)	(1)
Minimum lease payments under operating leases	–	11
Lease payments relating to short-term leases	10	–

7. TAXATION

	Six months ended 30 June	
	2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
The PRC Enterprise Income Tax – current tax	**626**	769
Deferred taxation	**(29)**	325
PRC Land Appreciation Tax	**362**	505
PRC Withholding Tax	**1**	2
	960	1,601

No provision for Hong Kong Profits Tax has been made as the profit 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 2018: 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	
	2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
Final dividend paid in respect of 2018 of HK$0.084 (2018: 2017 final dividend of HK$0.07) per share	**595**	461
Interim dividend declared after period end in respect of 2019 of HK$0.036 (2018: 2018 interim dividend of HK$0.036) per share	**262**	253

Subsequent to the end of the interim period, the Board has declared the payment of HK$0.036 (equivalent to RMB0.033) per share, amounting to HK$290 million (equivalent to RMB262 million) in aggregate as the interim dividend with respect to 2019.

A final dividend for the year ended 31 December 2018 of HK$0.084 (equivalent to RMB0.074 translated using the exchange rate of 0.87877 as at 3 June 2019) per share, amounting to HK$677 million (equivalent to RMB595 million translated using the exchange rate of 0.87877 as at 3 June 2019) in aggregate, was approved at the annual general meeting on 31 May 2019 and paid in June 2019.

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	
	2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
Earnings for the purpose of basic earnings per share, being profit for the period attributable to shareholders of the Company	**1,326**	1,225
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities	**57**	54
Earnings for the purpose of diluted earnings per share	**1,383**	1,279

NUMBER OF SHARES

	Six months ended 30 June	
	2019 'million (Unaudited)	2018 'million (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share (note (a))	**8,044**	8,043
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities	**661**	619
Outstanding share awards (note (c))	**–**	2
Outstanding share options (note (d))	**–**	1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,705**	8,665
Basic earnings per share (note (b))	**RMB16.4 cents**	RMB15.2 cents
	HK$19.0 cents	HK$18.7 cents
Diluted earnings per share (note (b))	**RMB15.9 cents**	RMB14.8 cents
	HK$18.4 cents	HK$18.1 cents

Notes:

(a) The weighted average number of ordinary shares shown above has been arrived at after deducting 17,710,250 (six months ended 30 June 2018: 19,191,965) shares held by a share award scheme trust as set out in note 19.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.158 for the six months ended 30 June 2019 and RMB1.000 to HK$1.2274 for the six months ended 30 June 2018, being the average exchange rates that prevailed during the respective periods.

(c) There was no dilution effect for share awards for the six months ended 30 June 2019 as all awarded shares have been vested as of 30 June 2019.

(d) There was no dilution effect for outstanding share options for the six months ended 30 June 2019 as the exercise prices of these share options were higher than the average market price of the Company's shares per share for the six months ended 30 June 2019.

10. INVESTMENT PROPERTIES

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	43,070	41,960
Investment properties under construction or development,		
stated at fair value	562	1,391
stated at cost	5,958	5,749
	6,520	7,140
Investment property – sublease of right-of-use assets	112	–
	49,702	49,100

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

	Completed investment properties at fair value RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Investment property – sublease of right-of-use assets RMB'million	Total RMB'million
At 31 December 2018 (audited)	41,960	1,391	5,749	–	49,100
Adjustments (refer to IFRS 16 transaction in note 2)	–	–	–	73	73
At 1 January 2019 (restated)	41,960	1,391	5,749	73	49,173
Additions	9	45	209	42	305
Eliminated upon disposal of investment properties	(7)	–	–	–	(7)
Transfer from properties held for sale	138	–	–	–	138
Increase (decrease) in fair value recognised in profit or loss	96	–	–	(3)	93
Transfer upon completion	1,422	(1,422)	–	–	–
Transfer due to refurbishment	(548)	548	–	–	–
At 30 June 2019 (unaudited)	43,070	562	5,958	112	49,702
At 1 January 2018 (audited)	38,864	1,772	7,353	–	47,989
Additions	16	54	95	–	165
Eliminated upon disposal of investment properties	(16)	–	–	–	(16)
Transfer to property, plant and equipment	(8)	–	–	–	(8)
Transfer from property, plant and equipment	55	–	–	–	55
Acquisition of a subsidiary (note 20(c))	–	1,243	–	–	1,243
Increase in fair value recognised in profit or loss	20	20	–	–	40
Impairment loss on investment properties under development at cost (note 4)	–	–	(380)	–	(380)
At 30 June 2018 (unaudited)	38,931	3,089	7,068	–	49,088

10. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the Group's investment properties at 30 June 2019 and 31 December 2018 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 at using income capitalisation approach. In the valuation using income 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

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
Interests in associates		
– Cost of investments, unlisted (note)	**7,527**	5,033
– Share of post-acquisition results, net of effect on elimination of unrealised interest income	**(67)**	(35)
	7,460	4,998
Loan to an associate – current		
– Unsecured, interest bearing at 110% of People's Bank of China ("PBOC") Prescribed interest rate and repayable in 2019	**1,667**	3,240
Amounts due from associates – current	**249**	194
	1,916	3,434

Note: On 29 December 2018, the Group entered into an agreement with two independent third parties to establish an associate company to engage in the investment in properties in the PRC. The associate, Top Fountain Limited ("Top Fountain"), was established during the current interim period and its equity interest was 45% owned by the Group.

12. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
Non-current balance comprise:		
Rental receivables in respect of rent-free periods	238	250
Trade receivables relating to goods and services	62	57
Deposits paid on investment in an associate	–	1,041
Other receivables	–	1
	300	1,349
Current balance comprise:		
Rental receivables in respect of rent-free periods	112	106
Trade receivables		
– goods and services	65	68
– operating lease receivables	10	29
Prepayments of relocation costs (note)	347	347
Receivables from disposal of associates	1,370	1,735
Receivables from disposal of subsidiaries	1,228	447
Other deposits, prepayments and receivables	358	383
	3,490	3,115

Note:
The balances represent the amounts that will be capitalised to properties under development for sale 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.

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 RMB137 million (31 December 2018: RMB154 million), of which 39% (2018: 52%) are aged less than 90 days, and 61% (2018: 48%) are aged over 90 days, as compared to when revenue was recognised.

13. CONTRACT ASSETS

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
Construction	22	59

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on construction. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers contract assets to trade receivables when the Group has unconditional rights to bill for the construction work.

14. INTERESTS IN JOINT VENTURES/LOANS TO/AMOUNTS DUE FROM JOINT VENTURES

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
Interests in joint ventures		
– Costs of investments, unlisted	8,833	8,858
– Impairment provision	(376)	(376)
– Share of post-acquisition results, net of effect on elimination of unrealised interest income	5	(23)
– Share of other comprehensive income of a joint venture	3	22
	8,465	8,481
Loans to joint ventures – non current		
– Unsecured, interest bearing at 110% of PBOC Prescribed Interest rate	2,024	1,488
Amounts due from joint ventures – non current		
– Unsecured, interest free	835	713
	11,324	10,682
Loans to joint ventures – current		
– Unsecured, interest bearing at 110% of PBOC Prescribed Interest Rate and repayable within one year from the end of the reporting period	152	1,822
Amounts due from joint ventures – current		
– Unsecured, interest free and repayable on demand	20	31
	172	1,853

15. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
Current portion comprise:		
Trade payables	1,810	1,980
Retention payables (note)	229	281
Relocation cost payable	2,044	2,681
Deed tax, business tax and other tax payables	137	185
Deposits received and receipt in advance in respect of rental of investment properties	775	765
Value-added tax payable	25	7
Other payables and accrued charges	975	697
Payables for acquisition of remaining interest in subsidiaries	–	3,406
	5,995	10,002

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

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB1,810 million (2018: RMB1,980 million) of which 90% (2018: 88%) are aged less than 30 days, less than 1% (2018: 1%) are aged between 31 to 90 days, and 10% (2018: 11%) are aged between 91 days and 365 days, based on invoice date.

16.SENIOR NOTES

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
At the beginning of period/year	**7,424**	10,706
Issue of senior notes	**3,324**	2,183
Less: Transaction costs directly attributable to issue of senior notes	**(4)**	(4)
Interest charged during the period/year	**296**	612
Loss on early redemption of senior notes	**–**	78
Less: Interest paid	**(209)**	(524)
Less: Redemption of senior notes	**–**	(5,761)
Exchange translation	**94**	134
At the end of period/year	**10,925**	7,424
Less: Amount due within one year shown under current liabilities	**(1,729)**	(1,722)
Amount due after one year	**9,196**	5,702

As at 30 June 2019, the effective interest rate on the senior notes ranged from 4.7% to 7.24% (2018: 4.7% to7.24%) per annum.

ISSUANCE OF SENIOR NOTES DURING THE CURRENT PERIOD

On 28 February 2019, Shui On Development (Holding) Limited ("SODH") issued USD500 million senior notes ("2021 USD500 million Notes") to independent third parties with a maturity of two years and nine months due on 28 November 2021, bearing coupon at 6.25% per annum, payable semi-annually in arrears.

PRINCIPAL TERMS OF 2021 USD500 MILLION NOTES

The 2021 USD500 million Notes are:

(a) senior in right of payment to any existing and future obligations of SODH expressly subordinated in right of payment to the 2021 USD500 million Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SODH (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SODH, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SODH.

At any time prior to 28 November 2021, SODH may at its option redeem the 2021 USD500 million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2021 USD500 million Notes redeemed plus the Applicable Premium (see the definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 28 November 2021, SODH may redeem up to 35% of the aggregate principal amount of the 2021 USD500 million Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.25% of the principal amount of the 2021 USD500 million Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2021 USD500 million Notes issued on 28 February 2019 remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

In the opinion of the Directors of the Company, the fair value of the option to early redeem the 2021 USD500 million Notes is insignificant at initial recognition and at the end of the reporting period.

16. SENIOR NOTES (CONTINUED)

PRINCIPAL TERMS OF 2021 USD500 MILLION NOTES (CONTINUED)

"Applicable Premium" means with respect to the 2021 USD500 million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2021 USD500 million Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2021 USD500 million Notes through 28 November 2021 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate of 2.5% per annum, over (B) the principal amount of the 2021 USD500 million Notes redeemed on such redemption date.

17. LIABILITY ARISING FROM A RENTAL GUARANTEE ARRANGEMENT

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
Rental guarantees, at fair values	**387**	549
For the purpose of financial statements presentation:		
Non-current liabilities	**234**	380
Current liabilities	**153**	169
	387	549

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 a fixed rate 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 a fixed rate of the consideration received by the Group from the purchaser.

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

As at 30 June 2019, the fair value of financial liabilities arising from the abovementioned rental guarantee arrangement, which is calculated by using Monte-Carlo simulation using the following assumptions:

	30 June 2019	31 December 2018
Estimated office unit rental	**RMB82 to RMB85 per square meter**	RMB81 to RMB84 per square meter
Occupancy rate	**70% to 95%**	68% to 90%
Risk-free rate	**2.81%**	2.65%
Discount rate	**8.62%**	9.89%
Expected expiry date	**31 January 2022**	31 January 2022

No amount (for the six months ended 30 June 2018: nil) has been recognised in profit or loss in the current period to reflect changes in estimates.

The Group's liabilities arising from a rental guarantee arrangement 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.

18.DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
Derivative financial instruments include:		
Call option to buy back an investment property	–	243
Currency forward contracts designated as hedging instruments	30	221
For the purpose of financial statement presentation:		
Non-current assets	–	243
Current assets	30	221

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 price equals to the original consideration plus a premium per annum.

During the reporting period, an associate of the Group, Top Fountain, purchased the entire equity interest of the disposed subsidiary and the related shareholder's loans from the independent third party. As a result, the call option was derecognised in the current interim period.

CURRENCY FORWARD CONTRACTS DESIGNATED AS HEDGING INSTRUMENTS

As at 30 June 2019, the Group has several currency forward contracts to reduce currency exchange fluctuation of certain Group's senior notes and bank borrowings. They are qualified for hedge accounting as cash flow hedge.

During the six months ended 30 June 2019, the fair value loss arising from the currency forward contracts of RMB191 million was recognised in other comprehensive income. An amount of RMB196 million has been released from hedge reserve to the profit or loss during the six months ended 30 June 2019.

19.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 of the Company, 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 2019, 17,355,097 share options (31 December 2018: 20,906,632 share options) remained outstanding under the Scheme, representing 0.2% (31 December 2018: 0.3%) of the ordinary shares of the Company in issue at that date. The Scheme allows the Board of Directors of the Company, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

19.SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

SHARE OPTION SCHEME (CONTINUED)

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

Date of grant	Exercise price HK$	Number of options: At 1 January 2019	Exercised during the period	Lapsed during the period	At 30 June 2019
18 January 2012	2.41	5,704,006	–	(1,415,044)	4,288,962
3 September 2012	4.93	4,353,626	–	(775,691)	3,577,935
7 July 2015	2.092	4,262,800	–	(658,600)	3,604,200
4 July 2016	1.98	6,586,200	–	(702,200)	5,884,000
Total		20,906,632	–	(3,551,535)	17,355,097
Categorised as:					
Directors		874,000	–	–	874,000
Employees		20,032,632	–	(3,551,535)	16,481,097
		20,906,632	–	(3,551,535)	17,355,097
Number of options exercisable		14,660,632			13,830,497

The Scheme expired on 7 June 2017 and no further share options can be granted thereunder. However, the rules of the Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Scheme. All outstanding share options granted prior to the expiration of the Scheme shall continue to be valid and exercisable in accordance with the rules of the Scheme. A new share option scheme was adopted by the Company on 24 May 2017.

During the six months ended 30 June 2019, no (for the six months ended 30 June 2018: 911,800) share options have been exercised.

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 schemes are 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 schemes 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 and 7,705,000 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 performance period of 3 years in average.

As at 30 June 2019, 17,710,250 (31 December 2018: 19,076,778) shares are allotted at par and held by the trust for the share award schemes.

Nil (for the six months ended 30 June 2018: RMB 0.4 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".

19. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

SHARE AWARD SCHEME (CONTINUED)

Vesting dates	Outstanding at 1 January 2019	Movement during the period			Outstanding at 30 June 2019
		Awarded	Lapsed	Vested	
CONNECTED EMPLOYEE SHARE AWARD SCHEME					
2 January 2019	788,528	–	–	(788,528)	–
	788,528	–	–	(788,528)	–
EMPLOYEE SHARE AWARD SCHEME					
2 January 2019	578,000	–	–	(578,000)	–
	578,000	–	–	(578,000)	–
	1,366,528	–	–	(1,366,528)	–

20. ACQUISITIONS AND DISPOSALS

(a) Acquisition of 58% interests in Great Market Limited and formation of a joint venture

On 14 May 2019, the Group entered into an agreement with Shui On Building Materials Limited (an indirect wholly-owned subsidiary of SOCAM Development Limited ("SOCAM")) in relation to the sale and purchase of 58% of the issued voting share capital of Great Market Limited and the assignment of the sale shareholder loan for a total consideration of approximately RMB147.85 million. Great Market Limited can exercise joint control over and directly own 60% of the equity interest of Nanjing Jiangnan Cement Company Limited, which directly and wholly owns certain parcels of land in Nanjing and has the right to occupy, use, dispose of and benefit from the properties erected on the land. The acquisition was completed on 28 June 2019. Upon completion, Great Market Limited became joint venture of the Group as decisions on relevant activities of Great Market Limited required unanimous consent from the Group and the other equity holders.

(b) Disposal of 49.5% effective rights and interests pertaining to a portfolio of certain properties of Shanghai Rui Hong Xin Cheng Co., Ltd. ("Shanghai RHXC")

On 26 June 2018, the Group entered into an agreement with an independent third party pursuant to which the Group would effectively dispose of its 49.5% interest pertaining to the portfolio of certain properties for residential development via disposal of 50% equity interests in Colour Bridge Holdings Limited, a subsidiary in which the Group originally owned 100% equity interest, at a consideration of approximately RMB4,589 million. As of 28 June 2018, the equity disposal was completed and the Group accounted for the remaining interest as interest in an associate upon the loss of the control.

20.ACQUISITIONS AND DISPOSALS (CONTINUED)

(b) Disposal of 49.5% effective rights and interests pertaining to a portfolio of certain properties of Shanghai Rui Hong Xin Cheng Co., Ltd. ("Shanghai RHXC") (continued)

The net assets of the portfolio of certain properties for residential development of Shanghai RHXC at the date of the disposal were as follows:

	RMB'million
Net assets disposed of:	
Properties under development for sale	12,046
Accounts receivable, deposits and prepayments	6
Accounts payable, accrued charges and deposits received	(3)
Amounts due to group companies	(1,229)
Bank borrowings	(5,818)
Net assets disposal of	5,002
Gain on disposal of subsidiaries:	
Cash consideration receivable	4,589
Less: Transaction costs payable	(30)
Less: Net assets disposed of	(5,002)
Add: Non-controlling interests	14
Add: Fair value of the remaining interest accounted for as interest in an associate	4,589
Gain on disposal	4,160

The Group recognised gain on disposal of RMB2,754 million for the six months ended 30 June 2018. The disposal was accounted for as a sale of property inventories in the ordinary course of the Group's property business, and the Group recognises revenue when "control" of the properties was transferred to the customer at a point in time. As the Group's entitlement to certain consideration was contingent on the occurrence or non-occurrence of a future event thus the transaction price included a variable consideration, the Group would record such part of consideration only when it became probable that a significant reversal in the amount of cumulative revenue would not occur when uncertainty associated with variable consideration was subsequently resolved. Revenue from the sale of properties under development for sale amounting to RMB14,981 million and the cost of sales amounting to RMB12,197 million were recognised, representing 99% interest disposed by the Group.

During the six months ended 30 June 2019, the variable consideration was recognised and the net assets value was adjusted. Revenue from the sale of properties under development for sale amounting to RMB1,270 million was recognised.

(c) Acquisition of equity interest in Shanghai Xin Wan Jing Property Limited

On 20 December 2017, Shanghai Ze Chen Real Estate Co., Limited (an indirect wholly-owned subsidiary of the Company) (as the "Purchaser"), entered into a sale and purchase agreement with an independent third party seller, pursuant to which the seller has agreed to dispose of, and the purchaser has agreed to acquire 100% equity interest of Shanghai Xin Wan Jing Property Limited for a consideration of RMB1,172 million of which RMB542 million was paid in 2018 and RMB630 million was paid in 2017. The acquisition was completed on 4 January 2018 and has been reflected in the movements of the Group's investment properties (see note 10). The acquisition was accounted for as an asset acquisition.

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 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
Investment properties	30,649	32,250
Property, plant and equipment	75	76
Right-of-use assets/prepaid lease payments	7	7
Properties under development for sale	2,783	1,833
Properties held for sale	359	543
Accounts receivable	40	39
Bank deposits	3,292	2,288
	37,205	37,036

In addition, the equity interests in certain subsidiaries with carrying amount of net assets of RMB6,018 million (31 December 2018: RMB5,897 million) are also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

22. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

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

	30 June 2019 RMB'million (Unaudited)	31 December 2018 RMB'million (Audited)
CONTRACTED BUT NOT PROVIDED FOR:		
Development costs for investment properties under construction or development	903	731
Development costs for properties under development held for sale	1,472	1,475
Investment in an associate	–	1,295
	2,375	3,501

(b) Contingent liabilities

(i) As at 30 June 2019, the Group has outstanding financial guarantees issued to an associate in respect of bank borrowings. The maximum amount that could be paid by the Group if the guarantees were called upon is RMB2,871 million. No such financial guarantee as at 31 December 2018. The financial guarantees were subsequently released in August 2019.

(ii) The Group provided guarantees of RMB1,265 million at 30 June 2019 (31 December 2018: RMB1,398 million) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

22. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingent liabilities (continued)

In determining whether provision of losses 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 provision of losses for 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 2019. Should the actual outcome be different from expected, provision of losses will be recognised in the condensed consolidated financial statements.

23. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties during the current period:

	Six months ended 30 June	
	2019 RMB'million (Unaudited)	2018 RMB'million (Unaudited)
SOCL and its subsidiaries other than those of the Group*		
Rental and building management fee expenses	–	2
Travel expenses	–	5
*SOCAM * and its subsidiaries, associates of SOCL*		
Revenue from construction services	58	27
Associates		
Interest income	49	–
Labor fee income	–	2
Construction income	102	2
Asset management fee income	5	–
Joint venture		
Interest income	46	34
Asset management fee income	13	11
Project management fee income	60	36
Construction income	9	–
Non-controlling shareholders of subsidiaries		
Interest expense	29	30
Asset management fee expense	2	2
Key management personnel		
Short-term employee benefits	66	60
Property sales	24	–
	90	60

* SOCL, indicating Shui On Company Limited, a private limited liability company incorporated in the British Virgin Islands ("BVI") and its ultimate controlling party is Mr. Vincent H.S. Lo, who is also the Chairman and Executive Director of the Company.

SOCAM, indicating SOCAM Development Limited, an associate of SOCL.

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's derivative financial instruments, other than the liability arising from a rental guarantee arrangement 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 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 liability arising from a rental guarantee arrangement is measured at fair value at the end of the reporting period that are grouped under Level 3. The fair value of the instrument is estimated based on Monte-Carlo simulation using key inputs as disclosed in note 17.

The following table presents the reconciliation of level 3 instruments for the period ended 30 June 2019 and 30 June 2018:

	Liability arising from a rental guarantee arrangement RMB'million Note 17	Call option to buy back an investment property RMB'million Note 18
At 1 January 2018 (audited)	(728)	342
Settlement	170	–
Fair value changes (note 4)	–	(2)
At 30 June 2018 (unaudited)	(558)	340
At 1 January 2019 (audited)	**(549)**	**243**
Settlement	**162**	**(243)**
Fair value changes (note 4)	**–**	**–**
At 30 June 2019 (unaudited)	**(387)**	**–**

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models base on discounted cash flow analysis.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the Directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, and inputs and key assumptions used in determining the fair value of liability arising from a rental guarantee arrangement is disclosed in note 17.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate their fair values.

25. APPROVAL OF FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 28 August 2019.

INTERIM DIVIDEND

The Board has declared an interim dividend of HKD0.036 per share (2018: HKD0.036 per share) for the six months ended 30 June 2019, which is payable on or about 27 September 2019 to shareholders whose names appear on the register of members of the Company on 12 September 2019.

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 2019.

DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2019, 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			Interests in the underlying shares		
Name of Directors	Personal interests	Family interests	Other interests	Share options (Note 3)	Total	Approximate percentage of interests to the issued share capital of the Company (Note 4)
Mr. Vincent H. S. LO ("Mr. Lo")	–	1,849,521 (Note 1)	4,611,835,751 (Note 2)	–	4,613,685,272	57.23%
Mr. Douglas H. H. SUNG ("Mr. Sung")	–	–	–	437,000	437,000	0.0054%
Ms. Stephanie B. Y. LO ("Ms. Lo")	–	–	4,611,835,751 (Note 2)	437,000	4,612,272,751	57.21%
Sir John R. H. BOND	250,000	–	–	–	250,000	0.003%
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. Lo. Mr. Lo was deemed to be interested in 1,849,521 shares under Part XV of the SFO.

(2) These shares were held by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,348,827,330 shares, 2,672,990,325 shares, 183,503,493 shares, 29,847,937 shares, 346,666,666 shares and 30,000,000 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"), Boswell Limited ("Boswell") and Doreturn Limited ("Doreturn") respectively whereas SOP, Chester International, Boswell, 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 60.97% as of 30 June 2019. 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 the founder and a discretionary beneficiary, Ms. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) These represent the interests of share options granted to the Directors and/or their respective associate(s) for subscription of shares of the Company under the share option scheme adopted by the Company on 8 June 2007.

(4) These percentages have been compiled based on the total number of issued shares (i.e. 8,062,216,324 shares) of the Company at 30 June 2019.

(B) LONG POSITION IN THE SHARES OF THE ASSOCIATED CORPORATION – SOCAM

Name of Directors	Number of ordinary shares: Personal interests	Family interests	Other interests	Total	Approximate percentage of interests to the issued share capital (Note 3)
Mr. Lo	–	312,000 (Note 1)	234,381,000 (Note 2)	234,693,000	61.05%
Ms. Lo	–	–	234,381,000 (Note 2)	234,381,000	60.97%
Mr. Frankie Y. L. WONG	3,928,000	–	–	3,928,000	1.02%

Notes:
(1) These shares were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in 312,000 shares under Part XV of the SFO.
(2) These shares comprised 232,148,000 shares beneficially owned by SOCL and 2,233,000 shares held by Shui On Finance Company Limited, an indirect wholly-owned subsidiary of SOCL. SOCL was owned by 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 the founder and a discretionary beneficiary, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.
(3) These percentages have been compiled based on the total number of issued shares (i.e. 384,410,164 shares) at 30 June 2019.

(C) INTERESTS IN THE DEBENTURES OF ASSOCIATED CORPORATIONS OF THE COMPANY

Name of Directors	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Mr. Lo	Shui On Development (Holding) Limited ("SODH")	Founder and discretionary beneficiary of a trust	RMB50,000,000 USD10,000,000
		Family interests	RMB35,500,000 USD2,000,000
Mr. Sung	SOCAM	Personal	USD200,000
Ms. Lo	SODH	Discretionary beneficiary of a trust	RMB50,000,000 USD10,000,000

Save as disclosed above, at 30 June 2019, 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 2019, 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 4)
Mrs. Lo	Family and Personal	4,613,685,272 (Notes 1 & 3)	57.23%
HSBC Trustee	Trustee	4,611,835,751 (Notes 2 & 3)	57.20%
Bosrich	Trustee	4,611,835,751 (Notes 2 & 3)	57.20%
SOCL	Interests of Controlled Corporation	4,611,835,751 (Notes 2 & 3)	57.20%

Notes:
(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,611,835,751 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 4,611,835,751 shares under Part XV of the SFO.
(2) These shares were held by SOCL through its controlled corporations, comprising 1,348,827,330 shares, 2,672,990,325 shares, 183,503,493 shares, 29,847,937 shares, 346,666,666 shares and 30,000,000 shares held by SOP, SOI, Chester International, NRI, Boswell and Doreturn respectively whereas SOP, Chester International, Boswell, 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 60.97% as of 30 June 2019. 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 the founder and a discretionary beneficiary, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.
(3) All the interests stated above represent long positions.
(4) These percentages have been compiled based on the total number of issued shares (i.e. 8,062,216,324 shares) of the Company at 30 June 2019.

Save as disclosed above, at 30 June 2019, 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

The share option scheme of the Company adopted on 8 June 2007 (the "Old Scheme") expired on 7 June 2017 and no further share options can be granted thereunder. However, the rules of the Old Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Old Scheme. All outstanding share options granted prior to the expiration of the Old Scheme shall continue to be valid and exercisable in accordance with the rules of the Old Scheme.

A new share option scheme (the "Share Option Scheme") was adopted by the Company on 24 May 2017 and no share option has been granted under the Share Option Scheme since its adoption.

Particulars of the Old Scheme are set out in note 19 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 2019:

Name or category of Eligible participants	Date of grant	Exercise price per share HKD	At 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2019	Period during which the share options are exercisable
DIRECTOR								
Mr. Sung	4 July 2016	1.98	437,000	–	–	–	437,000	1 June 2017 – 3 July 2022
Ms. Lo	4 July 2016	1.98	437,000	–	–	–	437,000	1 June 2017 – 3 July 2022
SUB-TOTAL			**874,000**	**–**	**–**	**–**	**874,000**	
EMPLOYEES (IN AGGREGATE)	18 January 2012	2.41	5,704,006	–	–	(1,415,044)	4,288,962	28 June 2013 – 17 January 2020
	3 September 2012	4.93	4,353,626	–	–	(775,691)	3,577,935	5 November 2012 – 4 November 2019
	7 July 2015	2.092	4,262,800	–	–	(658,600)	3,604,200	1 June 2016 – 6 July 2021
	4 July 2016	1.98	5,712,200	–	–	(702,200)	5,010,000	1 June 2017 – 3 July 2022
SUB-TOTAL			**20,032,632**	**–**	**–**	**(3,551,535)**	**16,481,097**	
TOTAL			**20,906,632**	**–**	**–**	**(3,551,535)**	**17,355,097**	

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices and to pursuing the right balance between conformance and performance in its corporate governance. The Company reviews its corporate governance practices from time to time to ensure it complies with all the applicable code provisions (the "CG Code") set out in Appendix 14 of the Listing Rules and aligns with its latest developments. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholder value, and stakeholders' confidence in the Company.

COMPLIANCE WITH THE CG CODE

During the six months ended 30 June 2019, the Company has complied with all 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 2019.

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 2019.

BOARD COMPOSITION

As a commitment to good corporate governance, the Company's Articles of Association stipulate that, subject to the provisions contained therein, the Board shall include a majority of Independent Non-executive Directors ("INEDs"). Subsequent to Dr. William K. L. FUNG's retirement as an INED of the Company at conclusion of the annual general meeting of the Company held on 31 May 2019 (the "AGM") and as of the date of this report, the Board comprises nine members in total, with three Executive Directors, one Non-executive Director and five INEDs.

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

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

CHAIRMAN AND CHIEF EXECUTIVE

The roles of Chairman and Chief Executive of the Company are separated and currently performed by Mr. Lo and the Executive Committee of the Company (the "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 leverages his experience to guide the EXCOM at a strategic level and promote the Company's sustainable growth. The reformed EXCOM, following the Group's reorganisation of management, collectively takes the key management role of the Company on executive decisions and takes up the functional duties of Chief Executive. The division of responsibilities between the Chairman and the Chief Executive is clearly established and set out in writing.

BOARD COMMITTEES

The Board has established four Board committees with defined terms of reference, namely the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee and the 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 AND RISK COMMITTEE

The Audit and Risk Committee was established to review the financial information of the Group, oversee the Group's financial reporting system, risk management and internal control systems, and assist the Board and its Chairman in performing the corporate governance functions of the Company. The Audit and Risk 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 and Risk Committee consists of three members, namely Professor Gary C. Biddle ("Professor Biddle"), Dr. Roger L. McCarthy and Mr. David J. Shaw, all of whom are INEDs. The Chairman of the Audit and Risk Committee is Professor Biddle who possesses appropriate professional qualifications, accounting and related financial management expertise.

The Audit and Risk Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019, including the accounting principles and practices and internal control systems adopted by the Company, in conjunction with the Company's internal and external auditors. The Audit and Risk Committee has no disagreement with the accounting treatments 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 Mr. Anthony J. L. Nightingale ("Mr. Nightingale"), Mr. Lo and Professor Biddle. Mr. Nightingale and Professor Biddle are INEDs. The Chairman of the Remuneration Committee is Mr. Nightingale.

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 ("Sir John Bond") and Professor Biddle. Sir John 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 six members, namely Mr. Lo, Mr. Frankie Y. L. Wong ("Mr. Wong"), Sir John Bond, Professor Biddle, Mr. Nightingale and Mr. Sung. Sir John Bond, 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.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, in order to facilitate the discharge of their responsibilities. During the six months ended 30 June 2019, the Directors attended three training sessions organised by the Company.

In addition, individual Directors participated in forums and workshops organised by external professionals for continuous professional development.

ANNUAL GENERAL MEETING

To enhance communications with shareholders at the Company's AGM, the conducting language is Cantonese with simultaneous interpretation in English. The Chairman of the Board, most of the Directors, the Chairmen of the Audit and Risk 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 AGM and the meeting provided a useful forum for shareholders to exchange views with the Board.

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 5 October 2016, a written agreement (the "2019 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB Trustee (Hong Kong) Limited ("DB") as trustee of the USD250 million in 4.375% senior notes due 2019 issued by SODH (the "2019 Notes"), pursuant to which the 2019 Notes were issued. The 2019 Indenture provides that upon the occurrence of a change of control (as defined in the 2019 Indenture), the Company or SODH will make an offer to repurchase all outstanding 2019 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 6 October 2016.

On 6 February 2017, a written agreement (the "2021 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD500 million in 5.70% senior notes due 2021 issued by SODH (the "2021 Notes"), pursuant to which the 2021 Notes were issued. The 2021 Indenture provides that upon the occurrence of a change of control (as defined in the 2021 Indenture), the Company or SODH will make an offer to repurchase all outstanding 2021 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 7 February 2017.

On 20 June 2017, a written agreement (the "2022 Trust Deed") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD600 million in 6.40% senior perpetual capital securities callable 2022 issued by SODH (the "Senior Perpetual Securities"), pursuant to which the Senior Perpetual Securities were issued. The 2022 Trust Deed provides that upon the occurrence of a change of control (as defined in the 2022 Trust Deed), SODH may at its option, redeem in whole but not in part the Senior Perpetual Securities at (i) their applicable early redemption amount (as defined in the 2022 Trust Deed) if such redemption occurs prior to 20 June 2022; or (ii) their principal amount, together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount), if such a redemption occurs on or after 20 June 2022. Details of the transaction were set out in the announcement of the Company dated 20 June 2017.

On 2 March 2018, a written agreement (the "2021 CNH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the RMB1,600 million in 6.875% senior notes due 2021 issued by SODH (the "2021 CNH Notes"), pursuant to which the 2021 CNH Notes were issued. The 2021 CNH Indenture provides that upon the occurrence of a change of control (as defined in the 2021 CNH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2021 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 2 March 2018. On 19 April 2018, the Company and SODH entered into a purchase agreement with Standard Chartered Bank in connection with the further issue of RMB600 million in 6.875% senior notes due 2021 (the "Additional Notes"), consolidated and formed a single series with the 2021 CNH Notes. The Additional Notes were issued pursuant to the 2021 CNH Indenture. Details of the transaction were set out in the announcement of the Company dated 26 April 2018.

On 28 February 2019, a written agreement (the "2021 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD500 million in 6.25% senior notes due 2021 issued by SODH (the "2021 SODH Notes"), pursuant to which the 2021 SODH Notes were issued. The 2021 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2021 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2021 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 28 February 2019.

Any breach of the above obligations will cause a default in respect of the 2019 Notes, the 2021 Notes, the Senior Perpetual Securities, the 2021 CNH Notes and the 2021 SODH Notes and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB10,913 million at 30 June 2019.

UPDATE ON INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

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

Name of Directors	Details of Changes
Mr. Lo	ceased to be Chairman of the Trade Development Council with effect from 1 June 2019.
Mr. Sung	appointed as Chief Investment Officer of the Company with effect from 8 August 2019.
Ms. Lo	appointed as Managing Director – Corporate Development of Shui On Management Limited with effect from 8 August 2019.
Mr. Nightingale	ceased to be a Council Member of the Employers' Federation of Hong Kong with effect from 25 May 2019.

Save as disclosed above, after having made all reasonable enquiries, 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 2018.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2019, the number of employees in the Group was 3,152 (31 December 2018: 3,129); which included the headcount of China Xintiandi at 515 (31 December 2018: 511), the headcount of the property management business at 1,606 (31 December 2018: 1,566), the headcount of the construction and fitting out business at 232 (31 December 2017: 248). 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. Douglas H. H. SUNG
(Managing Director, Chief Financial Officer and Chief Investment Officer)
Ms. Stephanie B. Y. LO

NON-EXECUTIVE DIRECTOR

Mr. Frankie Y. L. WONG

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sir John R. H. BOND
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Anthony J. L. NIGHTINGALE

AUDIT AND RISK COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Anthony J. L. NIGHTINGALE (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
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

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Bank of China Limited
China Merchants Bank Co., Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank Limited
United Overseas Bank Limited

STOCK CODE

272

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