INTEGRITY 誠信

DEDICATION 謙勤

EXCELLENCE 盡善

INNOVATION 創新

INTERIM REPORT 2020

二零二零年度中期業績報告

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)

STOCK CODE 272
股份代號 272

瑞安房地產
SHUI ON LAND

A LEADING COMMERCIAL PROPERTY FOCUSED DEVELOPER, OWNER AND ASSET MANAGER

Headquartered in Shanghai, Shui On Land (Stock Code: 272) is a leading commercial property focused developer, owner and asset manager in China. It has a proven track record in developing large scale, mixed-use, sustainable communities, and is the flagship property development company of the Shui On Group. As of 30 June 2020, the Company has 11 projects in various stages of development and 2 projects under management in prime locations of major cities, with a landbank of 9.0 million sq.m. (6.8 million sq.m. of leasable and saleable GFA, and 2.2 million sq.m. of clubhouses, car parking spaces and other facilities). It is also one of the largest private commercial property owners and managers in Shanghai, with a total portfolio of 1.68 million sq.m. of office and retail premises, including its flagship Shanghai Xintiandi, which is currently under its management.

The Company was listed on the Hong Kong Stock Exchange on October 4, 2006, being the largest Chinese real estate enterprise listed that year. Shui On Land is a constituent stock of the Hang Seng Composite Index, HSCI Composite Industry Index – Properties & Construction, Hang Seng Composite LargeCap & MidCap Indices as well as the Hang Seng Stock Connect HK Index.

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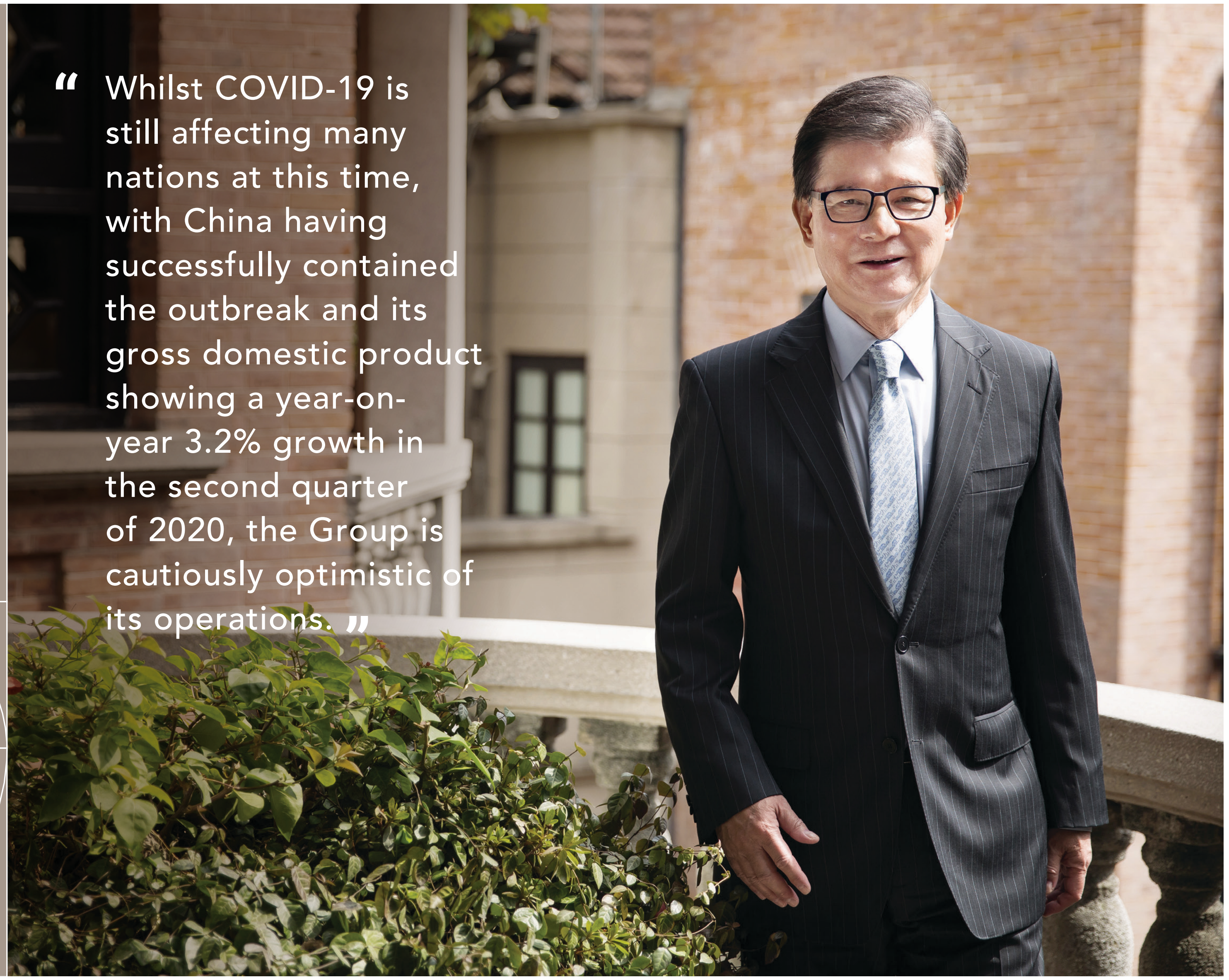
CHAIRMAN'S STATEMENT



> “Whilst COVID-19 is still affecting many nations at this time, with China having successfully contained the outbreak and its gross domestic product showing a year-on-year 3.2% growth in the second quarter of 2020, the Group is cautiously optimistic of its operations.”

The outbreak of COVID-19 in late 2019 and corresponding government responses to manage the pandemic has resulted in severe disruptions to global economic activity, with the spillover effects of such measures having a significant impact on our industry and the Group's businesses. The significance of its impact can be seen in our 2020 Interim Results.

The pandemic has created havoc in countries across the globe, causing an unprecedented economic, social and health crisis. Global economies, which were already experiencing imbalances even prior to the pandemic, further weakened as a result of the outbreak. While progressive actions have been taken to limit the impact of the virus, the path to full recovery is expected to be long and painful. The necessary social distancing measures implemented are likely to prevail for the near future, which will create further knock-on impacts on the economy.

Business activities across the board came almost to a standstill in the first quarter of 2020, with the restrictions on commercial activities severely affecting retail malls. Naturally, our retail properties including the Xintiandi developments were not spared. Virtually all of the retail shops in our portfolio had to close in February and were only gradually re-opened in March. Wuhan city, where the COIVD-19 virus first broke out in China, was fully locked down until early April. While commercial activities have started to recover since the second quarter, we are still quite some way from fully returning to the norm.

Financial Impacts

Against the backdrop of the COVID-19 crisis, the Group's financial results in the first six months of 2020 has been severely affected. The Group recorded a net loss of RMB1,622 million attributable to shareholders during the period primarily due to:

a) A decline in the fair value of the Group's investment properties and other property assets of approximately RMB1,962 million;

a) Lower leasing income due to, among other factors, the Group's waiver of rental and other reliefs to its tenants owing to the disruption of their businesses by the COVID-19 outbreak;

c) Delay in the construction and handover of residential units to homebuyers due to the COVID-19 outbreak.

Notwithstanding the above, the balance sheet and cashflow conditions of the Group remained substantively stable. The net gearing ratio of the Group was 58% as of 30 June 2020, as compared to 52% as of 31 December 2019. The increase in net gearing is largely attributable to the repayment of the Company's USD225 million convertible perpetual capital securities ("CPCS") during the period. As the CPCS was classified as equity, the repayment by means of non-equity funding resulted in a 6% increase in net gearing.

Progressing Amidst Great Uncertainties

Whilst COVID-19 is still affecting many nations at this time, with China having successfully contained the outbreak and its gross domestic product showing a year-on-year 3.2% growth in the second quarter of 2020, the Group is cautiously optimistic of its operations. The Group's contracted property sales for the first half of 2020 increased by 82% to RMB6,222 million, compared to RMB3,422 million for the corresponding period in 2019. As of 30 June 2020, the Group's total subscribed sales was RMB9,201 million, for delivery and to be recognised in the Group's financial results in the second half of 2020 and beyond.

In terms of its commercial property operation, the Group notes that as of July 2020, the overall same-store sales volume in its retail properties have recovered to over 90% of the same period in 2019. As such, based on its current operational performance and barring unforeseen circumstances, the Group is hopeful that the revaluation losses in its properties, and the overall net loss, may be limited to the 2020 Interim Period.

In terms of new investments, the Group won the tenders for the final two residential and two commercial plots at Panlong Tiandi earlier this year. The project is progressing according to schedule and we look forward to bringing to market the first batch of residential units by late 2020 or in early 2021.

The Hong Shou Fang project, situated in the heart of Shanghai, presents a unique opportunity to combine preservation with redevelopment, an imaginative approach that is likely to become a new common for China's real estate sector. The project will comprise a Class-A office building and a Tiandi-styled retail commercial block. Construction started in August 2020 with completion planned in 2022, followed by an official launch targeting the second half of 2023.

The Need for a Sustainable Society

The COVID-19 pandemic has already driven major changes in the way people 'Live, Work, Play and Learn' and in particular, it highlighted the pressing need to focus on the health and well-being of every person in our communities. Creating a clean, safe and sustainable environment is therefore a necessity. The Group strives to contribute to a more sustainable environment by creating high quality, green, healthy and sustainable communities that benefit their cities.

For example, we recently launched SHUI ON WORKX, a one-stop service that aims to enhance the flexibility in the workspace in order to cater for the rapidly changing demand from office users. The new initiatives

include adding social spaces to our offices thus promoting community interactions as well as providing customers with more flexible lease terms and various accommodation packages.

In the retail segment, e-commerce activities have surged since the start of this pandemic, though even as technology has enhanced the shopping experience, human interaction will remain pertinent. More broadly, we are exploring how to create more commercial spaces that combine retail and leisure through people-oriented social innovation projects, to stimulate business activity and support the public's desire to pursue a better life balance.

Throughout our company's history, we have always been committed to caring for the environment, to preserving cultural heritage, and towards building and sustaining vibrant communities. To broaden our sustainable development goals, in 2020 we are initiating our new '5C' strategy which includes five key elements in sustainable development: Clean, Culture, Community, Care and Corporate Governance. This is central to our enhanced commitment to sustainable development and to our relevant works in the future. The 5C Sustainable Development Strategy enlarges our vision of what sustainability means for the Group. We believe this new strategy will provide the Group a roadmap for sustainable development in the coming decade.

Outlook

At the macro level, with continued tensions between China and US, I believe that in the short term, foreign direct investments and trading into China may suffer. However, I firmly believe China's economic growth will continue and in fact, COVID-19 represents an opportunity for China to further transition and accelerate its economic development into the next growth phase – underpinned by new technologies, innovations and deregulation of industries. These are expected to be the government's key focuses going forward.

The Group will therefore continue to invest in China's leading cities, while taking a cautious approach in new investments to ensure that we are financially sound in order to navigate in this unprecedented period of uncertainties. We will continue to implement our Asset Light Strategy in diversifying our capital sources, and in maintaining a healthy balance sheet.

Appreciation

In closing, I would like to thank my fellow Board members and our valued business partners for their continued support in these exceptional circumstances. I understand that the challenging market environment has also put more pressure on our staff, whom I wish to thank on behalf of the Board for their contributions. There is no doubt that tough times are ahead, but I strongly believe we are well-positioned to make the best of the situation.

Vincent H. S. LO
Chairman
Hong Kong, 26 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

- **Unprecedented challenges arising from the pandemic:** The outbreak of COVID-19 in late 2019 and corresponding government responses to manage the pandemic has resulted in severe disruptions of global economic activity. Spillover effects of such measures have had a significant impact on our industry and the Group's businesses, as is reflected in our 2020 Interim Results.

- **Responding to the pandemic:** Immediately after its outbreak the Group launched an emergency response team to proactively protect our staff and customers against the pandemic. In total, we donated RMB10 million and arranged for medical supplies to be sent to Wuhan. We also offered rental concessions and other reliefs for all our retail tenants in excess of RMB200 million.

- **Substantial financial impacts:** Partly as a result of these emergency measures, the Group recorded a net loss attributable to shareholders of RMB1,622 million during the period. Key effects included but are not limited to:

  - A decline in the fair value of the Group's investment properties and other property assets of approximately RMB1,962 million;

  - Lower leasing income due to, among other factors, the Group's waiver of rental and other reliefs to its tenants owing to the disruption of their businesses by the COVID-19 outbreak;

  - Delay in the construction and handover of residential units to homebuyers due to the COVID-19 outbreak.

- **Balance sheet conditions remain substantively stable:** Stable financials and responsive operational adjustments should enable the Group to manage reasonably the effects of the ongoing COVID-19 outbreak. Net gearing ratio remained at a healthy 58% as of 30 June 2020, an increase of 6 percentage points compared to 31 December 2019, which was mainly due to repayment of USD225 million perpetual bonds in June. Cash and bank deposits held by the Group were RMB13,962 million as of 30 June 2020.

- **Operating performance is improving:** The Group's businesses have been improving since the second quarter of 2020. Our contracted property sales in the first half of 2020 ("1H 2020") increased by 82% to RMB6,222 million compared with that for the corresponding period in 2019. As of 30 June 2020, the Group's total subscribed sales was RMB9,201 million, which will translate to income and cash proceeds in the second half of 2020 ("2H 2020") and beyond. In our commercial portfolio, the overall same-store sales in July 2020 in our retail properties have recovered to over 90% of the same period in 2019.

- **Interim dividend:** Having taken into consideration the Group's financial performance during the period and the ongoing uncertainties regarding COVID-19, the Board has decided to recommend withholding interim dividend in 2020 (1H 2019: HKD0.036 per share).

Shui On Land is a leading commercial property focused 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. The Group enjoys a well-established reputation in Shanghai and will continue to leverage on our brand name to further our presence in the major cities in China.

KEY ACHIEVEMENTS IN 1H 2020

- **Responding to the Pandemic:** The Group immediately launched an emergency response team to proactively fight against the pandemic after its outbreak. We offered rental concessions and other reliefs for all retail tenants and implemented multiple measures to support commercial tenants' operations, such as strict measures for floor disinfection, fresh air system cleaning and sterilization, in all projects under Xintiandi in Shanghai. On 27 January 2020, the Group donated RMB10 million to Wuhan for purchasing scarce medical and disinfection supplies, and partnered with New Frontier Group in medical supplies donation.

- **Strong Contracted Sales:** In 1H 2020, we recorded contracted sales of RMB6.2 billion, representing 82% Y/Y increase. This includes the launch of Wuhan Tiandi La Riva II last batch in late April, Shanghai Taipingqiao Ville V (Lot 118) in late June and Shanghai Rui Hong Xin Cheng Parkview (Lot 1), which together recorded approximately RMB5.4 billion of contracted sales in 1H 2020. The remaining RMB9.2 billion of subscribed sales as of 30 June 2020, is expected to be subsequently turned into contracted property sales in the 2H 2020 and beyond.

- **Panlong Tiandi Milestone Achieved:** We completed the acquisition of the remaining four land parcels located in the Panlong area of Shanghai's Qingpu District in late May for a total consideration RMB2.1 billion. The Group holds 80% effective interest in these sites. The two residential land parcels have a total gross floor area of 74,000 sq.m. and the two commercial land parcels have a total gross floor area of 49,000 sq.m.. Together with four residential sites acquired in the second half of 2019 ("2H 2019"), the combined parcels will be developed into a new complex project in west Shanghai – Shanghai Panlong Tiandi and contribute saleable resources in 2H 2020 and beyond.

- **Proactive Treasury Management:** We continue to proactively manage our debt maturity. On 20 February 2020, the Company commenced an Exchange and Tender Offer for its senior notes due in 2021. A total of USD302,049,000 notes was accepted for tender and USD89,914,000 was exchanged for new 5.50% 5-year senior notes.

A MARKET LEADER IN SHANGHAI COMMERCIAL PROPERTY PORTFOLIO

The Group currently holds and manages a total GFA of 1.68 million sq.m. of retail and office space in Shanghai (the "Shanghai Commercial Property Portfolio"), of which 52% of the GFA has been completed for rental income, with the remaining under development. Our existing office and retail portfolio is amongst one of the largest in Shanghai. As of 30 June 2020, the total asset value of the Shanghai Commercial Property Portfolio was approximately RMB75 billion. Total asset value attributable to the Group was approximately RMB43 billion, representing an effective interest of 58% in the portfolio.

The table below summarises the development status, asset value and the Group ownership percentage in the portfolio as of 30 June 2020.

Project	Office GFA sq.m.	Retail GFA sq.m.	Total GFA sq.m.	Attributable GFA sq.m.	Asset Value as of 30 June 2020 RMB'billion	% of ownership
COMPLETED PROPERTIES						
Shanghai Xintiandi, Xintiandi Style, XINTIANDI PLAZA, Shui On Plaza	36,000	89,000	125,000	113,100	11.41	100%/99%/80%/80%
THE HUB	93,000	170,000	263,000	263,000	8.84	100%
Shanghai RHXC	–	111,000	111,000	55,000	3.93	49.5%
KIC	186,000	63,000	249,000	115,500	8.44	44.27%/50.49%
INNO KIC	41,000	4,000	45,000	45,000	1.46	100%
5 Corporate Avenue, HUBINDAO	52,000	27,000	79,000	35,200	6.62	44.55%
SUBTOTAL	**408,000**	**464,000**	**872,000**	**626,800**	**40.70**	
LAND & UNDER DEVELOPMENT PROPERTIES						
Shanghai Taipingqiao						
XTD South Block AEI	–	15,000	15,000	15,000	1.05	100%
Lots 123, 124 &132	192,000	88,000	280,000	70,000	18.05	25%
Shanghai RHXC						
Lot 167B	107,000	12,000	119,000	58,300	4.33	49%
Hall of the Sun, Ruihong Corporate Avenue	147,000	183,000	330,000	163,400	8.49	49.5%
Shanghai Hong Shou Fang	48,000	15,000	63,000	63,000	1.92	100%
SUBTOTAL	**494,000**	**313,000**	**807,000**	**369,700**	**33.84**	
GRAND TOTAL	**902,000**	**777,000**	**1,679,000**	**996,500**	**74.54**	

INVESTMENT PROPERTY PERFORMANCE

Consolidated rental and related income of the Group decreased by 11% to RMB987 million in 1H 2020 compared to RMB1,107 million in the first half of 2019 ("1H 2019"), due to the Group's rental concessions and other reliefs offered to retail tenants, and the negative COVID-19 impact on occupancy rates.

Including the properties held by joint ventures and associates, the total rental and related income generated from the property portfolio was RMB1,192 million in 1H 2020, of which 76% 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 2020 and 1H 2019:

Project	Product	Leasable GFA	Rental & related income RMB'million		Changes	Occupancy rate		Changes
		sq.m.	**1H 2020**	1H 2019	%	**30 Jun 2020**	31 Dec 2019	ppt
Shanghai Taipingqiao								
Shanghai Xintiandi	Office/ Retail	39,000[1]	**123**	184[2]	(33%)/(25%)[2]	**79%**	86%	(7)
Xintiandi Style	Retail	26,000	**43**	54	(20%)	**83%**	96%	(13)
Shui On Plaza & XINTIANDI PLAZA	Office/ Retail	53,000[3]	**84**	98	(14%)	**86%**	92%	(6)
THE HUB	Office/ Retail	263,000	**216**	230	(6%)	**89%**	99%	(10)
Shanghai KIC	Office/ Retail/ Hotel	243,000	**215**	226	(5%)	**89%**	95%	(6)
INNO KIC[4]	Office/ Retail	45,000	**18**	4	350%	**65%**	20%	45
Wuhan Tiandi	Retail	238,000[5]	**132**	151	(13%)	**89%**	94%	(5)
Foshan Lingnan Tiandi	Office/ Retail	142,000	**121**	126	(4%)	**94%**	97%	(3)
Chongqing Tiandi	Retail	131,000[6]	**25**	29	(14%)	**67%**	73%	(6)
Nanjing INNO Zhujiang Lu	Office/ Retail	16,000	**10**	5	100%	**70%**	74%	(4)
CONSOLIDATED RENTAL AND RELATED INCOME		**1,196,000**	**987**	**1,107**	**(11%)**			
Shanghai RHXC[7]								
(Classified as joint venture income)	Retail	98,000	**75**	88	(15%)	**80%**	88%	(8)
Shanghai Taipingqiao								
5 Corporate Avenue, HUBINDAO (Classified as associate income)	Office/ Retail	79,000	**130**	7[8]	1757%	**84%**	90%	(6)
GRAND TOTAL		**1,373,000[9]**	**1,192**	**1,202**	**(1%)**			

Notes:

1 A total leasable GFA of 15,000 sq.m. was under asset enhancement initiative ("AEI") since March 2019 and was excluded from the above table.

2 RMB184 million in 1H 2019 included rental and related income before AEI of a total leasable GFA of 15,000 sq.m.. The AEI impact on rental and related income was about RMB20 million.

3 AEI of XINTIANDI PLAZA with a total leasable GFA of 28,000 sq.m. was completed in late 2018 and the grand opening was held in May 2019.

4 INNO KIC was newly opened in April 2019.

5 North Hall of HORIZON with a total GFA of 72,000 sq.m. held the grand opening in November 2019.

6 8 Corporate Avenue retail podium with a total GFA of 31,000 sq.m. is undergoing repositioning and tenant upgrades.

7 The Group held 49.5% effective interest in the property. Rental and related income attributable to the Group was RMB37 million in 1H 2020. With a total GFA of 13,000 sq.m. was under pre-leasing after AEI and was excluded from the above table.

8 The acquisition was completed on 20 June 2019. The Group held 44.55% effective interest of the property. Rental and related income of the property for 1H 2019 was RMB133 million. The rental and related income after the completion was RMB7 million.

9 A total GFA of 15,000 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 15,000 sq.m., representing 28% of Xintiandi's total leasable GFA. It is to be repositioned as "Xintiandi Style I" and is scheduled to open in 2H 2020.

THE HUB and KIC recorded a slight decline in rental and related income of 6% and 5% respectively, in 1H 2020 compared to 1H 2019. The decline was mainly due to lower shopper traffic and sales due to COVID-19, and mandatory shutdown of some restricted businesses such as educational outlets, cinemas, etc. during the period. INNO KIC, which has a total GFA of 45,000 sq.m., commenced operation in April 2019, and more than tripled its rental contribution in 1H 2020 with a current occupancy rate at 65% at end of June 2020.

Being the centre of the pandemic, Wuhan was inevitably hit hard during the period. Overall Wuhan Tiandi achieved rental and related income RMB132 million compared to RMB151 million in 1H 2019. The negative impact from COVID-19 was partially offset by the new contribution from North Hall of HORIZON, which held a grand opening in November 2019.

Foshan Lingnan Tiandi performed relatively well during the pandemic, with the occupancy rate for the NOVA shopping mall remaining at 99% as of 30 June 2020. The occupancy rate for the Lingnan Tiandi phases 1&2 was 89%. Foshan Lingnan Tiandi phase 3, with a total GFA 5,800 sq.m., had a soft opening in late June, with the main flagship stores including Huawei and Adidas. The official opening will be in 2H 2020. The rental and related income generated from these properties reached RMB121 million in 1H 2020, merely a 4% drop compared to 1H 2019.

Rental and related income of Chongqing Tiandi was RMB25 million in 1H 2020 compared to RMB29 million in 1H 2019. The occupancy rate was 65% for the Tiandi retail area and the occupancy rate of 6 and 7 Corporate Avenue retail podium (Lot B12-3 Retail) was 57%. The 8 Corporate Avenue retail podium (Lot B12-4 Retail) is undergoing repositioning and tenant upgrades.

The overall shopper traffic and sales of our commercial portfolio recovered gradually after having fallen as much as 80% year-on-year in February. In our commercial portfolio, the overall same-store sales in July 2020 in our retail properties have recovered to over 90% of the same period in 2019.

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 commenced operation in 2018. The occupancy rate was 70% as of 30 June 2020. Nanjing Baiziting Tiandi has a total GFA of 48,000 sq.m. and is primarily a retail and culture-focused project.

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 1,886,000 sq.m. was RMB48,586 million as of 30 June 2020. Of this amount, RMB1,505 million (representing 3.1% of the carrying value) arose from decreased fair value during 1H 2020. The properties located in Shanghai, Wuhan, Foshan and Chongqing, respectively, contributed 67%, 13%, 17% and 3% of the carrying value.

The table below summarises the carrying value of the investment properties at valuation as of 30 June 2020 together with the change in fair value for 1H 2020:

Project	Leasable GFA	Increase/ (decrease) in fair value for 1H 2020	Carrying value as of 30 June 2020	Fair value 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	65,000	(7)	6,569	(0.1%)	6,549
Shui On Plaza (Office) and XINTIANDI PLAZA	53,000	(82)	4,248	(1.9%)	3,439
THE HUB	263,000	(124)	8,844	(1.4%)	8,844
Shanghai KIC	243,000	7	8,239	0.1%	3,808
INNO KIC	45,000	24	1,455	1.6%	1,455
Wuhan Tiandi	238,000	(816)	6,365	(12.8%)	6,365
Foshan Lingnan Tiandi	142,000	(138)	4,080	(3.4%)	4,080
Chongqing Tiandi	131,000	(195)	1,588	(12.3%)	1,572
SUBTOTAL	**1,180,000**	**(1,331)**	**41,388**	**(3.2%)**	**36,112**
INVESTMENT PROPERTIES UNDER DEVELOPMENT AT VALUATION					
Shanghai Taipingqiao					
XTD South Block AEI[1]	15,000	(13)	1,047	(1.2%)	1,047
Shanghai Hong Shou Fang	63,000	(67)	1,917	(3.5%)	1,917
Foshan Lots A/B/C	628,000	(94)	4,234	(2.2%)	4,234
SUBTOTAL	**706,000**	**(174)**	**7,198**	**(2.4%)**	**7,198**
INVESTMENT PROPERTY – SUBLEASE OF RIGHT-OF-USE ASSETS					
Nanjing INNO Zhujiang Lu	16,000	(5)	109	(4.6%)	109
GRAND TOTAL	**1,902,000[2]**	**(1,510)**	**48,695**	**(3.1%)**	**43,419**

Notes:

1 A total leasable GFA of 15,000 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 2020, total recognised property sales was RMB265 million (after deduction of applicable taxes). The decrease was mainly due to the absence of residential completion and delivery. The average selling price ("ASP") (excluding other asset disposal) increased by 122% to RMB87,100 per sq.m. compared to 1H 2019, as most of the sales were recorded from Shanghai Rui Hong Xin Cheng Lot 2.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 1H 2020 and 1H 2019:

	1H 2020			1H 2019		
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
Shanghai RHXC						
Residential	65	700	98,600	393	4,200	98,800
Retail	42	500	88,000	–	–	–
Foshan Lingnan Tiandi						
Townhouses	–	–	–	21	800	28,800
Low/mid/high-rises	2	100	20,000	860	50,200	18,700
Retail	–	–	–	246	4,780	56,500
Chongqing Tiandi[2]						
Residential	–	–	–	1,428	83,120	22,900
Office & Retail	39	1,800	23,300	93	10,000	9,800
SUBTOTAL	**148**	**3,100**	**50,600**	**6,367**	**178,500**	**38,200**
Carparks and others[2]	117	–	–	180	–	–
SUBTOTAL	**265**	**3,100**	**87,100**	**6,547**	**178,500**	**39,200**
Other asset disposal:						
Shanghai RHXC[3]	–			1,270		
GRAND TOTAL	**265**			**7,817**		
Recognised as:						
– Property sales in revenue of the Group[4]	161			6,376		
– Disposal of investment properties[4]	–			13		
– Revenue of associate	104			1,428		
TOTAL	**265**			**7,817**		

Notes:

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. Commercial sales of RMB28 million and carpark sales of RMB76 million in 1H 2020 were 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. The revenue of RMB1,270 million was recognised in 2019 upon the clearance of RHXC Lot 7 was completed.

4 Sales of commercial properties are recognised as "revenue" if the properties concerned are designated as held 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, Subscribed Sales and Locked-in Sales

The Group's contracted property sales increased by 82% to RMB6,222 million in 1H 2020, compared to RMB3,422 million in 1H 2019, with residential property sales accounting for 99% and the remainder contributed by the sale of commercial units. The increase was mainly due to strong sales performance in Wuhan Tiandi La Riva II and Shanghai RHXC Parkview (Lot 1). The Group expects to launch more residential property developments in 2H 2020 according to the construction progress of the developments. The ASP of residential property sales more than doubled to RMB64,300 per sq.m. in 1H 2020, compared to RMB18,300 per sq.m. in 1H 2019. The increase was mainly due to changes in project mix. In 1H 2020, a higher proportion of contracted property sales was generated from higher ASP projects in Shanghai and Wuhan.

As of 30 June 2020:

i) a total subscribed sale of RMB9,201 million was recorded, among which RMB5,937 million was from Taipingqiao Ville V (Lot 118). These are subject to formal sales and purchase agreements in the coming months.

ii) a total locked-in sale of RMB17.8 billion was recorded and available for delivery to customers and for recognition as revenue in 2H 2020 and beyond.

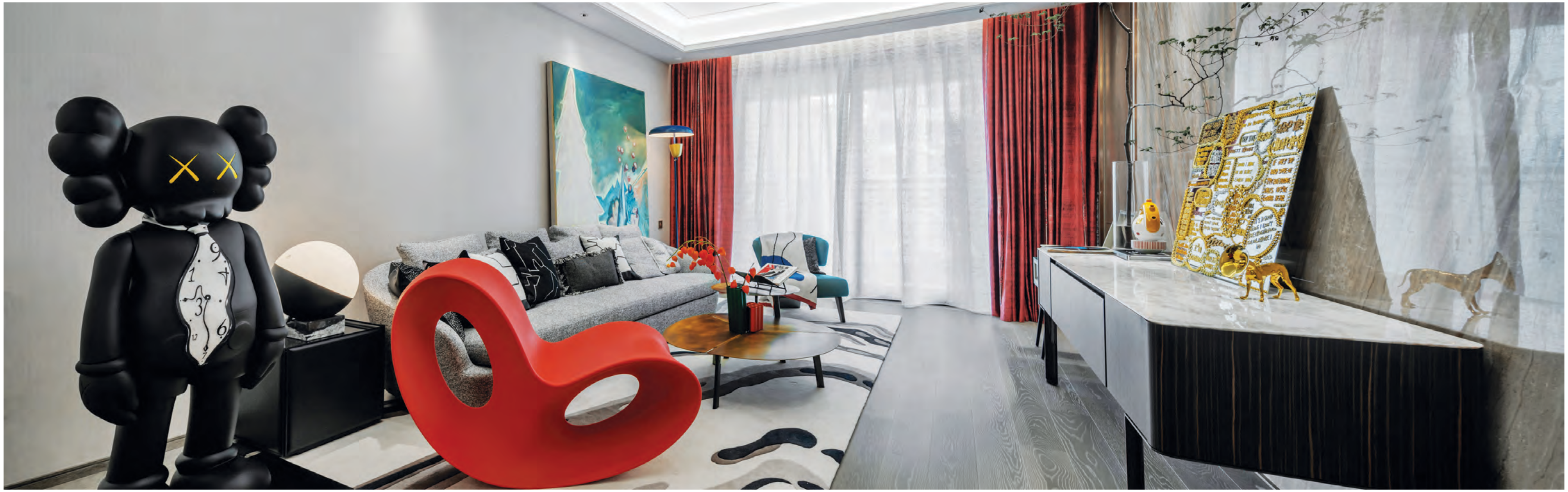
The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 1H 2020 and 1H 2019:

	1H 2020			1H 2019		
Project	Contracted amount	GFA sold	ASP	Contracted amount	GFA sold	ASP
	RMB'million	sq.m.	RMB per sq.m.	RMB'million	sq.m.	RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao	470	2,650	177,400	–	–	–
Shanghai RHXC (Lot 1)[1]	3,632	34,100	106,500	–	–	–
Shanghai RHXC (Lot 2)	–	–	–	16	150	106,700
Wuhan Tiandi	1,344	28,950	46,400	72	1,900	37,900
Wuhan Optics Valley Innovation Tiandi	4	200	20,000	541	36,400	14,900
Foshan Lingnan Tiandi	329	13,300	24,700	95	4,900	19,400
Chongqing Tiandi[2]	278	16,600	20,400	2,488	136,150	22,300
Carparks and others	107	–	–	65	–	–
SUBTOTAL FOR RESIDENTIAL PROPERTY SALES	**6,164**	**95,800**	**64,300**	**3,277**	**179,500**	**18,300**
Commercial property sales:						
Shanghai RHXC (Lot 2)	44	500	88,000	–	–	–
Foshan Lingnan Tiandi	–	–	–	83	1,600	51,900
Chongqing Tiandi	14	600	23,300	62	7,300	8,500
SUBTOTAL FOR COMMERCIAL PROPERTY SALES	**58**	**1,100**	**52,700**	**145**	**8,900**	**16,300**
GRAND TOTAL	**6,222**			**3,422**		

Notes:

1 The Group held 49.5% of the properties.

2 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.



Residential GFA Available for Sale and Pre-sale in 2H 2020

The Group has approximately 388,900 sq.m. of residential GFA spanning seven projects available for sale and pre-sale during 2H 2020, as summarised below:

Project	Product	Available for sale and pre-sale in 2H 2020		
		GFA in sq.m.	Group's interest %	Attributable GFA in sq.m.
Shanghai Taipingqiao Lot 118	High-rises	37,700	99%	37,300
Shanghai RHXC Lot 1	High-rises	34,000	49.50%	16,800
Shanghai RHXC Lot 2	Townhouses/ high-rises	1,300	99%	1,300
Shanghai RHXC Lot 7	High-rises	49,200	49.50%	24,400
Shanghai Panlong Tiandi	High-rises	94,800	80%	75,800
Wuhan Tiandi	High-rises	10,300	100%	10,300
Wuhan Optics Valley Innovation Tiandi	High-rises	65,500	50%	32,800
Foshan Lingnan Tiandi	High-rises	28,500	100%	28,500
Chongqing Tiandi	High-rises	67,600	19.80%	13,400
TOTAL		**388,900**		**240,600**

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

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

Residential Properties under Development

Shanghai Taipingqiao – Ville V (Lot 118) is under development with a total GFA of 78,000 sq.m. for residential use. Construction commenced in 2018. The sales centre was opened in late 2019. The group launched the first batch for presales on 24 June 2020 with a total GFA of 40,000 sq.m.. Strong sales were recorded – during the three days of pre-sale, a total of 128 units out of 132 units launched were subscribed, amounting to RMB6,407 million contracted sales and subscribed sales by end of June 2020.

Shanghai RHXC – The Gallery (Lot 2), with a total GFA of 1,200 sq.m. (residential GFA of 670 sq.m. and retail GFA of 533 sq.m.) was delivered in 1H 2020. The remaining residential and retail with GFA of 1,940 sq.m. is scheduled to be delivered 2H 2020 and beyond. Parkview (Lot 1) commenced construction in 2018. A total GFA of 107,000 sq.m. will be developed for residential use with the remaining GFA of 3,000 sq.m. for retail shops. The Group launched the first batch for pre-sale in late December 2019 and achieved RMB3.6 billion property sales in 1H 2020. The Group will continue to sell the remaining units with a total GFA 34,000 sq.m. in 2H 2020. Relocation of Lot 7 was completed in 2019, with pre-sale expected to commence in 2H 2020. Lot 7 has a total GFA of 159,000 sq.m. for residential and 2,000 sq.m. for retail shops.

Shanghai Panlong Tiandi – Construction work on Lot 6 and Lot 11 commenced in March 2020, with saleable GFA of 160,000 sq.m. for residential use. It is planned for completion in 2H 2021.

Wuhan Tiandi – La Riva II (Lot B10) is under construction and is planned to be developed into high-rise residential apartments with a total GFA of 114,000 sq.m.. A total of 27,500 sq.m. was launched for pre-sale in late 2018 and another 52,500 sq.m. was launched for pre-sale in 2019. The remaining portion with 33,000 sq.m. was launched in late April 2020 with over RMB1.6 billion property sales on the day of launch. All the units have been subscribed.

Wuhan Optics Valley Innovation Tiandi – The site was acquired in 2017. The second phase (Lot R5) with a total GFA of 113,000 sq.m. commenced construction in 2019 and started pre-sale from 1H 2020.

Foshan Lingnan Tiandi – The Masterpiece (Lot 13a) with a total GFA of 49,000 sq.m. for residential use and 1,000 sq.m. for retail space was launched for pre-sale since late 2019. A total GFA of 13,000 sq.m. was contracted in 1H 2020 and the remaining 28,500 sq.m. is planned for pre-sales in 2H 2020.

Chongqing Tiandi – GLORY MANSION with a total GFA of 252,000 sq.m. and ARK MANSION with a total GFA of 88,000 sq.m. were under construction. The Group holds 19.8% of the partnership portfolio.

Commercial Properties under Development

Shanghai Taipingqiao – Lots 123, 124 &132 held a ground-breaking ceremony in September 2019. The sites will be developed into a commercial complex comprising three Grade-A office towers with a total GFA of 192,000 sq.m. and an all-weather street style shopping mall, named Tai Ping Yang Xintiandi, comprising 88,000 sq.m.. The construction of the office towers is planned for completion from 2022 to 2023 in phases and the shopping mall is planned to be handover in 2023. The Group holds 25% interests in the development.

Shanghai RHXC – Ruihong Tiandi Lot 10 completed relocation in late 2017 and construction work also commenced in 2017. It will be developed into a commercial complex comprising two Grade-A Office Towers named Ruihong Corporate Avenue with a total GFA of 147,000 sq.m., and a shopping mall, named Hall of the Sun, comprising 183,000 sq.m.. The construction of the Mall's secondary structure has been completed. The development is planned for completion at the end of 2022.

Shanghai Hong Shou Fang – the Group acquired a commercial site located in Hong Shou Fang in the Putuo District of Shanghai with a total GFA of 48,000 sq.m. office and 15,000 sq.m. retail. Construction work will commence in 2H 2020 and is planned for completion in 2022. The Group holds 100% effective interest in the site.

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 2020 the Group's landbank stood at 9.0 million sq.m. (comprising 6.8 million sq.m. of leasable and saleable area, and 2.2 million sq.m. for clubhouses, car parking spaces and other facilities) spread across eleven development projects located in the prime areas of four major PRC cities, namely: Shanghai, Wuhan, Foshan and Chongqing. The leasable and saleable GFA attributable to the Group was 4.4 million sq.m.. Of the total leasable and saleable GFA of 6.8 million sq.m., approximately 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 2.8 million sq.m. was under development, and the remaining 2.5 million sq.m. was held for future development.

On 19 and 21 May 2020, the Group acquired two parcels of residential sites and two parcels of commercial sites respectively, located in the Panlong area of the Shanghai Qingpu District. The total consideration was RMB2.1 billion. The Group holds 80% effective interest of the sites. The two residential land parcels have a total gross floor area of 74,000 sq.m. and the two commercial land parcels have a total gross floor area of 49,000 sq.m..

The Group's total landbank as of 30 June 2020, including that of its joint ventures and associates, is summarised below:

	Approximate/Estimated leasable and saleable GFA								
Project	**Residential**	**Office**	**Retail**	**Hotel/ serviced apartments**	**Subtotal**	**Clubhouse carpark and other facilities**	**Total**	**Group's interest**	**Attributable leasable and saleable GFA**
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
COMPLETED PROPERTIES:									
Shanghai Taipingqiao	–	88,000	116,000	–	**204,000**	95,000	**299,000**	99.00%[1]	148,000
Shanghai RHXC	2,000	–	111,000	–	**113,000**	103,000	**216,000**	99.00%[2]	57,000
Shanghai KIC	–	164,000	63,000	22,000	**249,000**	146,000	**395,000**	44.27%[3]	116,000
Shanghai THE HUB	–	93,000	170,000	–	**263,000**	72,000	**335,000**	100.00%	263,000
Shanghai INNO KIC	–	41,000	4,000	–	**45,000**	18,000	**63,000**	100.00%	45,000
Wuhan Tiandi	–	–	238,000	–	**238,000**	219,000	**457,000**	100.00%	238,000
Wuhan Optics Valley Innovation Tiandi	27,000	–	1,000	–	**28,000**	53,000	**81,000**	50.00%	14,000
Foshan Lingnan Tiandi	–	16,000	159,000	43,000	**218,000**	137,000	**355,000**	100.00%	218,000
Chongqing Tiandi	–	–	133,000	–	**133,000**	254,000	**387,000**	99.00%[4]	132,000
SUBTOTAL	**29,000**	**402,000**	**995,000**	**65,000**	**1,491,000**	**1,097,000**	**2,588,000**		**1,231,000**
PROPERTIES UNDER DEVELOPMENT:									
Shanghai Taipingqiao	78,000	192,000	103,000	–	**373,000**	135,000	**508,000**	100.00%[5]	162,000
Shanghai RHXC	351,000	147,000	189,000	–	**687,000**	256,000	**943,000**	49.50%[6]	340,000
Shanghai Panlong Tiandi	176,000	–	–	–	**176,000**	79,000	**255,000**	80.00%	141,000
Shanghai Hong Shou Fang	–	48,000	15,000	–	**63,000**	19,000	**82,000**	100.00%	63,000
Wuhan Tiandi	114,000	160,000	–	–	**274,000**	86,000	**360,000**	100.00%	274,000
Wuhan Optics Valley Innovation Tiandi	111,000	119,000	16,000	–	**246,000**	111,000	**357,000**	50.00%	123,000
Foshan Lingnan Tiandi	49,000	–	3,000	–	**52,000**	19,000	**71,000**	100.00%	52,000
Chongqing Tiandi	402,000	259,000	217,000	25,000	**903,000**	354,000	**1,257,000**	19.80%	179,000
SUBTOTAL	**1,281,000**	**925,000**	**543,000**	**25,000**	**2,774,000**	**1,059,000**	**3,833,000**		**1,334,000**
PROPERTIES FOR FUTURE DEVELOPMENT:									
Shanghai Taipingqiao	86,000	–	33,000	38,000	**157,000**	–	**157,000**	99.00%[7]	155,000
Shanghai RHXC	–	107,000	12,000	–	**119,000**	39,000	**158,000**	49.00%	58,000
Shanghai Panlong Tiandi	74,000	–	45,000	4,000	**123,000**	33,000	**156,000**	80.00%	98,000
Wuhan Tiandi	135,000	166,000	94,000	–	**395,000**	–	**395,000**	100.00%	395,000
Wuhan Optics Valley Innovation Tiandi	211,000	366,000	334,000	–	**911,000**	–	**911,000**	50.00%	456,000
Foshan Lingnan Tiandi	28,000	450,000	107,000	80,000	**665,000**	–	**665,000**	100.00%	665,000
Chongqing Tiandi	72,000	–	65,000	–	**137,000**	29,000	**166,000**	19.80%	27,000
SUBTOTAL	**606,000**	**1,089,000**	**690,000**	**122,000**	**2,507,000**	**101,000**	**2,608,000**		**1,854,000**
TOTAL LANDBANK GFA	**1,916,000**	**2,416,000**	**2,228,000**	**212,000**	**6,772,000**	**2,257,000**	**9,029,000**		**4,419,000**

Notes:

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 including HUBINDAO 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%.

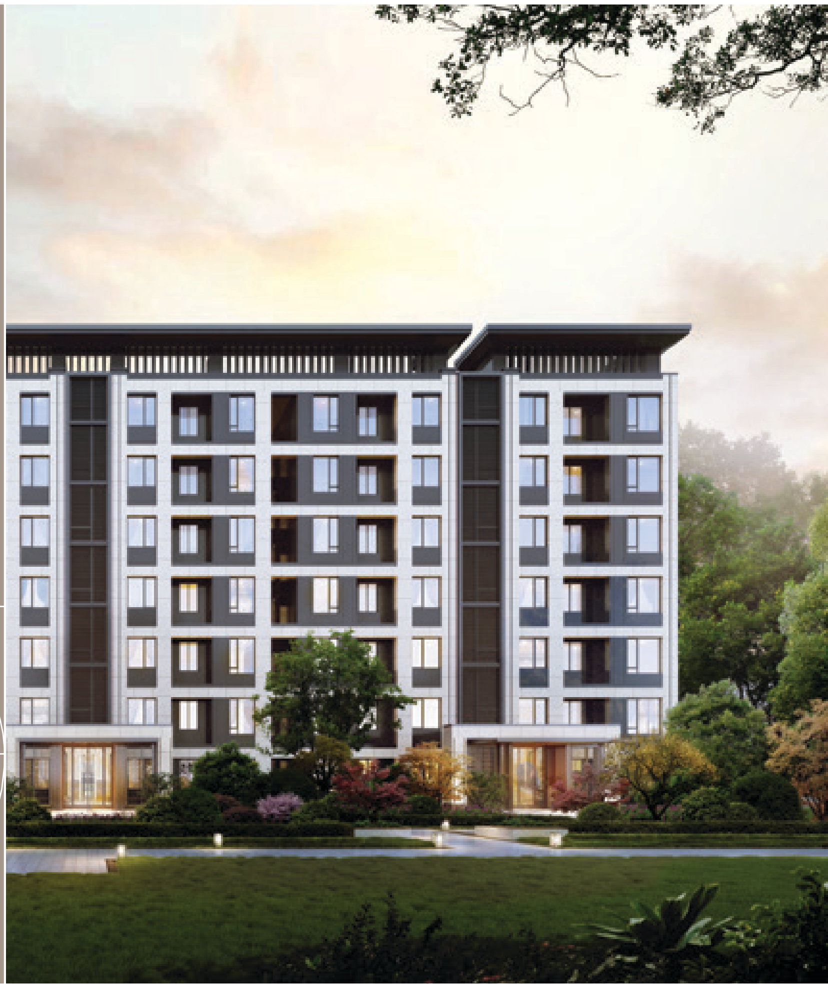
4 The Group has a 99.00% effective interest in all the remaining lots, except for Lot B15 in which the Group has an effective interest of 19.80%.

5 The Group has a 99.00% interest in Lot 118 for residential use, a 100.00% interest in XTD South Block AEI and 25.00% 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.

7 Lots 119, 120 and 122 are yet to commence relocation.

MARKET OUTLOOK



The global economy suffered a severe blow from COVID-19 in the first half of 2020 (1H 2020). Although global central banks rolled out unprecedented stimulus measures to mitigate the impact, the European Union and US economies are projected to suffer a severe contraction of 9.1% and 6.1% respectively this year. Social distancing and stay home policies implemented to slow the pandemic spread resulted in worldwide consumption and production stoppages, plunging the global economy into a deep recession, The World Bank expects global GDP to contract by 5.2% this year, a performance much worse than the global financial crisis in 2008. As of 30 June 2020, COVID-19 remained rampant across the world. In the US, a double-dip recession is likely if a second wave of the pandemic occurs in the second half of the year, making economic recovery highly uncertain. Until effective vaccines can be found to restore consumer and market confidence, the trajectory of economic recovery will be shallow and patchy.

China's swift response to bring COVID-19 under control is a notable great economy exception. The implementation of contact tracing and lockdown measures slowed the epidemic spread and prevented subsequent outbreaks from morphing into wider community transmissions. Its firm policy responses helped to substantially limit the nation's economic loss from the Wuhan outbreak. Nonetheless, China's economy experienced a 6.8% contraction in the first quarter of 2020 ("Q1") before staging a 3.2% rebound in the second quarter ("Q2"). Amid immense global uncertainties, the Chinese Central Government refrained from setting an economic growth target for the year, instead placing stabilization of employment and economic growth as the priority. Expansionary fiscal and monetary policies introduced by the authorities should also support the restoration of China's GDP growth to around 2.5% for 2020.

China's residential property market was severely hit in the first quarter by the lockdown measures, but housing sales across all city tiers have since gradually recovered, achieving positive YoY growth by June 2020. For 1H 2020, national housing transaction by area and sales revenue fell respectively by -7.6% and -2.8%. House prices saw a steady rise of 5.2% YoY, supported by declining mortgage rates and abundant liquidity released from the 150bps reduction in the reserved requirement ratio. In Q2, the Chinese Central Government reaffirmed the "houses are for living in, not for speculation" policy stance, triggering a number of cities to tighten purchase control, so as to ensure sustainable housing prices. Overall, residential sales momentum is expected to remain resilient, and housing sales in Tier 1 & 2 cities are projected to continue steady recovery in the second half.

The COVID-19 outbreak has undermined business confidence, causing businesses to trim headcounts and postpone their expansion plan. Most companies, with the exception of those in pharmaceutical, telecommunication, media and technology sectors, have taken a prudent view towards their office leasing plans. Shanghai's Grade-A office market outlook is highly challenging in view of abundant pipeline supply. A fall in leasing demand due to COVID-19 means that office vacancy in Shanghai's CBD will rise, with CBD market rents coming under pressure. A Jones Lang LaSalle (JLL) projection notes that prime rents in Shanghai's CBD may decrease from RMB 9.9/sq.m./day in 2019 to RMB 9.2/sq.m./day in 2020.

Travel curtailments and city lockdown measures to contain COVID-19 are reshaping consumer behavior and is adversely impacting China's retail property markets. Shopping mall traffic came to a halt in the first quarter, while sales of branded apparel products fell by 20-50%. Many retailers are building out their omnichannel platforms and diversifying to online channels to minimize their loss in sales revenue. The retail business has been recovering steadily in Shanghai, though activities were still 10% below normal level as of June 2020. According to JLL, retail rents will remain under pressure in the near term, with vacancy projected to rise to 12.0% in prime locations, while decentralized shopping mall vacancy is projected to rise to 12.3% by the end of 2020.

Shanghai's economy experienced a contraction of 2.6% in 1H 2020 due to the COVID-19 outbreak which significantly impacted the consumption and manufacturing sectors, prompting the government to accelerate its plans to speed up investment into the city's digital infrastructure so as to mitigate the economic drag from the pandemic. Shanghai is committed to further liberalize its financial sector – the majority ownership restriction on foreign fund management company was lifted in April 2020, and the quota of QFII's domestic securities investment was removed in May 2020. These developments, together with inflows of investment into energy and technology sectors, propelled Shanghai's FDI to USD10.28 billion in 1H 2020, translating into an increase of 5.4% compared with the same period of last year.

Chongqing's economic growth rebounded strongly on the back of a recovery in the automobile and electronic equipment industries, following the COVID-19 induced downturn which reduced the municipality GDP by -6.5% in the first quarter. GDP growth rebound to 0.8% in 1H 2020, supported by a 3.5% increase in foreign trade transactions. Domestic consumption however, remained a laggard, with retail sales growth faltering 7.2% in the first half year. The government aims to pursue coordinated and integrated development of the Chengdu-Chongqing economic corridor, and a priority area is to increase investment to develop and upgrade the city's digital infrastructure.

Wuhan, being the origin of COVID-19 outbreak, was hardest hit both economically and in terms of death tolls from the disease. The city underwent a prolonged 67 days lockdown before reopening on April 8. As a consequence, Wuhan's GDP shrank by 40.6% in the first quarter. Since its reopening, the government has rolled out economic support measures including issuance of consumption vouchers, tax exemptions for landlords that provide rental relief to SME tenants, and fast-tracking home loans to help restart the economy. In Q2, Wuhan's economy achieved notable recovery. YoY GDP growth of 1H was pulled to -19.5%.

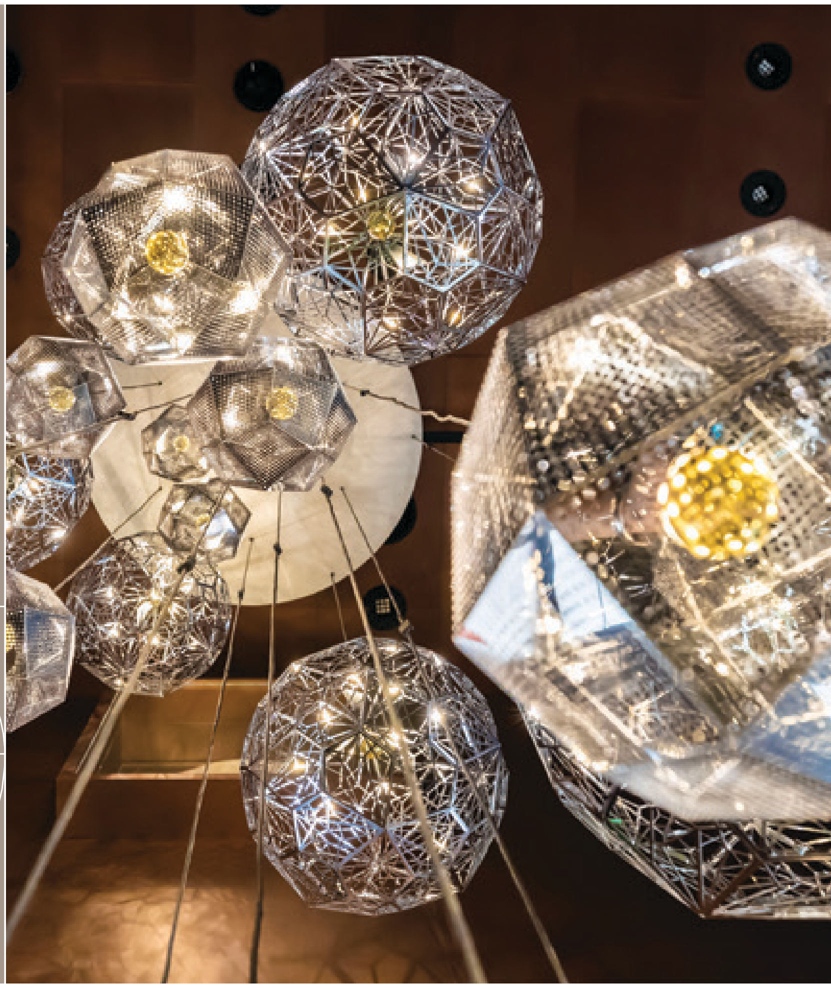
The city has been given approval to establish an artificial intelligence innovation and development pilot zone, which is seen to boost economic development along the city's Optic Valley Science and Innovation Corridor.

Foshan's economy contracted sharply by 7.5% in the first half of 2020. To reinvigorate economic growth, the government commenced a development program which includes construction of four metro lines, a new airport, as well as a Foshan campus of the Hong Kong Polytechnic University. Foshan residential property market stands to benefit from a relaxation of hukou policy which has led to a population increase of 250,000. Going forward, the government plans to further integrate with Guangzhou and placing the development thrust on manufacturing innovation and industrial upgrading.

The city of Nanjing endured the economic shock from COVID-19 relatively well and managed to achieve 2.2% GDP growth in the first half year. The government introduced a 'Hukou' program aiming to attract university graduates so as to enrich the city's human capital. Under this program, Bachelor's degree holders aged under 45 and graduates having Master's degree or above are eligible to receive Nanjing hukou status. The city also increased the supply of "talent apartments" as a part of its talent attraction program, with 500,000 sq.m. of such housing is scheduled to be completed within this year.

The COVID-19 pandemic has brought the global economy to a halt and accentuated a move towards de-globalization. Massive credits unleashed by the global central banks to stimulate growth will elevate government debt levels, fuel asset bubbles, placing enormous pressure on the global economic system. An uneven economic recovery may strain international relations and further increase market volatility. In view of the unsettling and highly uncertain market outlook, we will continue to closely monitor the changing market dynamics, and be ready to implement contingency plans to cope with the challenging environment.

FINANCIAL REVIEW



The Group's ***revenue*** for the six months ended 30 June 2020 ("1H 2020") decreased by 82% to RMB1,450 million (1H 2019: RMB7,902 million), due mainly to a timing issue. There were no new residential project completions and deliveries to homebuyers during the period, and thus no recognised property sales.

Property sales in 1H 2020 decreased by 97% to RMB161 million (1H 2019: RMB6,376 million). Property sales in 1H 2020 were primarily sales of property and carpark inventories at different projects. Property sales in 1H 2019 were RMB5,106 million, and the remaining revenue of RMB1,270 million was from the disposal of our 49.5% interest in the residential developments at RHXC Lots 1 and 7 to a third party (the "RHXC Disposal").

Income from property investment in 1H 2020 decreased to RMB1,003 million (1H 2019: RMB1,151 million), of which ***rental and related income*** from investment properties decreased to RMB987 million (1H 2019: RMB1,107 million), representing a 11% Y/Y decrease. The decrease in rental and related income was mainly due to rent concessions and other relief offered to our retail tenants in response to the COVID-19 outbreak.

Rental and related income from the Group's Shanghai properties, which accounted for 71% (1H 2019: 72%) of the total, declined 12% to RMB699 million (1H 2019: RMB796 million). Income from hotel operations from the Marco Polo Hotel in Foshan, was down to RMB16 million in 1H 2020 (1H 2019: RMB44 million).

Construction income generated by the construction business decreased to RMB116 million in 1H 2020 (1H 2019: RMB197 million).

Gross profit in 1H 2020 dropped by 73% to RMB964 million (1H 2019: RMB3,578 million), while ***gross profit margin*** rose to 66% (1H 2019: 45%). The decrease in gross profit was mainly due to lower property sales and income from property investment, and the absence of profit recognized from the RHXC Disposal. The increased gross profit margin was attributable to a higher proportion of gross profit contributed by property investment, accounting for 78% (1H 2019: 23%) of total gross profit.

Other income in 1H 2020 declined 40% to RMB127 million (1H 2019: RMB213 million), which is mainly comprised of bank interest income and interest income from joint ventures and associates. The fall in other income was due to the decrease in loans to joint ventures and associates.

Selling and marketing expenses in 1H 2020 decreased by 14% to RMB66 million (1H 2019: RMB77 million). This was mainly due to lower selling and promotional activities in 1H 2020. The selling and marketing expenses incurred in 1H 2020 were mainly for the launch of pre-sale of the first batch of Taipingqiao Ville V and the remaining residential units of Wuhan Tiandi La Riva II.

General and administrative expenses, which comprises staff costs, depreciation charges and advisory costs incurred, remained stable at RMB456 million in 1H 2020 (1H 2019: RMB455 million).

As a result of the above, ***operating profit*** dropped by 83% to RMB569 million in 1H 2020 (1H 2019: RMB3,259 million).

Decrease in fair value of investment properties was RMB1,510 million in 1H 2020 (1H 2019: increase RMB93 million), representing a 3.1% decrease in valuation when compared with the carrying value of investment properties as of 30 June 2020. The investment property portfolio in Shanghai recorded a valuation loss of RMB262 million and the investment property portfolio outside Shanghai recorded a loss of RMB1,248 million. The significant decline in the fair value of our investment property portfolio reflected the negative financial effects arising from the COVID-19 outbreak. The paragraph titled "Investment Property Performance" in the Business Review Section provides detailed descriptions of these properties.

Other gains and losses recorded a net loss of RMB163 million in 1H 2020 (1H 2019: RMB133 million). The loss in 1H 2020 primary comprised i) cost arising from hedging activities of RMB66 million (1H 2019: RMB119 million); ii) an impairment provision of RMB452 million for commercial lands costs in Shanghai Taipingqiao; iii) premium paid for tender and exchange of senior notes amounted to RMB69 million (1H 2019: nil); offset by a write back of excess provision for relocation costs with respect to RHXC Disposal of RMB441 million.

Share of results of associates and joint ventures recorded a loss of RMB57 million in 1H 2020 (1H 2019: gain RMB27 million).

Finance costs, inclusive of exchange differences amounted to RMB808 million in 1H 2020 (1H 2019: RMB868 million). Total interest costs declined slightly by 1% to RMB1,126 million (1H 2019: RMB1,140 million). Of these interest costs, 56% (1H 2019: 28%) or RMB629 million (1H 2019: RMB315 million) was capitalised as cost of property development, with the remaining 44% (1H 2019: 72%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. Exchange loss of RMB275 million (1H 2019: RMB17 million) was recorded as a result of the depreciation of the RMB against the HKD and the USD in 1H 2020.

Taxation recorded a credit amount of RMB689 million in 1H 2020 (1H 2019: charge of RMB960 million). The credit amount of taxation in 1H 2020 was due to the recognition of deferred tax assets deriving from tax losses and the reduction in deferred tax provision relating to the investment properties. 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. In addition, as a result of the overall implementation of the Asset Light Strategy exercise, the Group has adopted the most appropriate tax rates at which to measure deferred tax, so as to better reflect our current business model and to allow a more accurate representation of our financial statements. The Group will reassess the accounting treatment on an ongoing basis to ensure the adequacy of the related deferred tax provision on those temporary differences.

Loss in 1H 2020 was RMB1,286 million (1H 2019: profit RMB1,598 million).

After taking into account the revaluation loss of investment properties attributable to shareholders of RMB1,180 million, the Group recorded a net ***loss attributable to shareholders of the Company*** of RMB1,622 million in 1H 2020 (1H 2019: net profit RMB1,326 million). ***Basic loss per share*** was RMB20.2 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue in 1H 2020 (1H 2019: earnings per share RMB16.4 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue).

Core earnings of the Group are as follows:

	Six months ended 30 June		
	2020 RMB'million	2019 RMB'million	Change %
(Loss)/ profit attributable to shareholders of the Company	**(1,622)**	1,326	(223%)
Decrease/ (increase) in fair value of investment properties, net of tax	**1,192**	(72)	
Realised fair value gains from investment properties disposed of	**–**	(3)	
Realised bargain purchase gain from acquisition of subsidiaries	**–**	159	
Impairment loss on investment properties under development at cost and properties under development for sale, net of tax	**342**	–	
Share of results of joint ventures			
– fair value loss/ (gains) of investment properties, net of tax	**31**	(24)	
	1,565	60	
Non-controlling interests	**(12)**	33	
Net effect of changes in the valuation	**1,553**	93	1570%
(Loss)/ profit attributable to shareholders of the Company before revaluation	**(69)**	1,419	(105%)
Add:			
Profit attributable to owners of convertible perpetual capital securities	**49**	57	
Profit attributable to owners of perpetual capital securities	**137**	132	
Core earnings of the Group	**117**	1,608	(93%)

Having taken into consideration the Group's financial performance during the period and the ongoing uncertainties regarding COVID-19, the Board has decided to recommend withholding interim dividend in 2020 (1H 2019: HKD0.036 per share).

Major Acquisition

In May 2020, the Group acquired land use rights in Shanghai Qingpu District for an aggregate consideration of RMB2,096 million. The land consists of the final four land parcels of our Panlong Tiandi project, with a total gross floor area of 122,677.98 sq.m., of which two land parcels with a total gross floor area of 74,017.80 sq.m. are for residential use with land tenure of 70 years. The other two land parcels, with a total gross floor area of 48,660.18 sq.m., are for commercial, and culture and recreation use with land tenure of 40-50 years. For details, please refer to the announcements issued by the Company dated 19 and 21 May 2020.

Liquidity, Capital Structure and Gearing Ratio

Up to the date of this report, the Group undertook an exchange and tender of senior notes exercise, redemption of convertible perpetual capital securities and one new issuance of senior notes. Refinancing and redemption are used to pro-actively manage our overall debt maturity. The details are as follows:

1) On 20 February 2020, the Group commenced an exchange and tender offer for the February 2021 and November 2021 senior notes. A total of USD392 million maturing in 2021 were tendered and exchanged for new senior notes at 5.5% per annum due 2025. The Group finally issued an aggregate principal amount of USD490 million of such new senior notes. The transaction was completed on 3 March 2020.

2) On 4 June 2020, the Group fully redeemed all the outstanding convertible perpetual capital securities with an aggregate principal amount of USD225 million.

3) On 24 August 2020, Shui On Development (Holding) Limited ("SODH") issued USD500 million senior notes with a maturity of four years due on 24 August 2024, bearing coupon at 6.15% per annum.

The structure of the Group's borrowings as of 30 June 2020 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	13,168	1,576	3,302	5,155	3,135
Bank borrowings – HKD	5,387	2,330	1,682	1,375	–
Bank borrowings – USD	9,140	6,099	1,564	1,477	–
Senior notes – USD	9,980	1,879	2,479	5,622	–
Senior notes – RMB	2,239	2,239	–	–	–
Receipts under securitisation arrangements – RMB	515	8	12	55	440
TOTAL	**40,429**	**14,131**	**9,039**	**13,684**	**3,575**

Total cash and bank deposits amounted to RMB13,962 million as of 30 June 2020 (31 December 2019: RMB11,859 million), which included RMB2,598 million (31 December 2019: RMB1,289 million) of deposits pledged to banks and RMB4,799 million (31 December 2019: RMB2,908 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 30 June 2020, the Group's net debt was RMB26,467 million (31 December 2019: RMB25,882 million) and its total equity was RMB45,771 million (31 December 2019: RMB49,307 million). The Group's net gearing ratio was 58% as of 30 June 2020 (31 December 2019: 52%), 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. Our stable financials should enable the Group to better withstand the uncertainties arising from the ongoing COVID-19 outbreak.

As of 30 June 2020, HKD/USD borrowings including senior notes (unhedged), net off HKD/USD cash and bank deposits, amounted to approximately RMB12,966 million in equivalent, which is around 32% of the total borrowings (31 December 2019: 30%).

Total undrawn banking facilities available to the Group amounted to approximately RMB7,931 million as of 30 June 2020 (31 December 2019: RMB8,717 million).

Pledged Assets

As of 30 June 2020, the Group had pledged investment properties, property, plant and equipment, right-of-use assets, properties under development for sale, accounts receivable and bank deposits totalling RMB48,815 million (31 December 2019: RMB38,605 million) to secure the Group's borrowings of RMB16,008 million (31 December 2019: RMB15,925 million).

Capital and Other Development Related Commitments

As of 30 June 2020, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB5,267 million (31 December 2019: RMB2,252 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.

Exchange Rate and Interest Rate Risks

The Group's revenue is denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the RMB senior notes and the RMB bank borrowings do not expose the Group to any exchange rate risk.

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and perpetual capital securities denominated in USD issued from 2017 to 2020. 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 2020, the Group has entered approximately USD1,430 million and HKD750 million forward or capped forward contracts to hedge the USD and HKD currency risk against RMB. In addition, from 1 July 2020 until today, the Group has further entered HKD300 million forward contracts. The Group continues to monitor closely its exposure to exchange rate risk and may further consider additional derivative financial instruments to hedge against its remaining exposure to exchange rate risk, if necessary.

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 five 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.

At 30 June 2020, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Borrowing Rates ("HIBOR"), London Inter-bank Borrowing Rates ("LIBOR") and People's Bank of China ("PBOC") Prescribed Interest Rate. The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interest at variable rates at HIBOR and pay interests at fixed rates ranging from 0.63% to 0.72% based on the notional amounts of HKD1,250 million in aggregate. The Group continues to monitor closely its exposure to interest rate risk and may further consider additional derivative financial instruments to hedge against its remaining exposure to interest rate risk, if necessary.

Save for disclosed above, as of 30 June 2020, 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 when necessary.

Contingent Liabilities

The Group provided guarantees of RMB910 million at 30 June 2020 (31 December 2019: RMB1,152 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.

INDEPENDENT REVIEW REPORT

To the Board of Directors of Shui On Land Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 56, which comprises the condensed consolidated statement of financial position of Shui On Land Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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 this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
26 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
		RMB'million	RMB'million
	Notes	**(Unaudited)**	(Unaudited)
Revenue			
– The Company and its subsidiaries (the "Group")		**1,450**	7,902
– Share of joint ventures		**42**	44
		1,492	7,946
Revenue of the Group	3A	**1,450**	7,902
Cost of sales		**(486)**	(4,324)
Gross profit		**964**	3,578
Other income		**127**	213
Selling and marketing expenses		**(66)**	(77)
General and administrative expenses		**(456)**	(455)
Operating profit		**569**	3,259
(Decrease) increase in fair value of investment properties	10	**(1,510)**	93
Other gains and losses	4	**(163)**	(133)
Share of (losses) gains of associates and joint ventures		**(57)**	27
Finance costs, inclusive of exchange differences	5	**(808)**	(868)
(Provision) reversal of impairment losses under expected credit loss model	6	**(6)**	180
(Loss)/ profit before taxation	6	**(1,975)**	2,558
Taxation	7	**689**	(960)
(Loss)/ profit for the period		**(1,286)**	1,598
Attributable to:			
Shareholders of the Company		**(1,622)**	1,326
Owners of convertible perpetual capital securities		**49**	57
Owners of perpetual capital securities		**137**	132
Non-controlling shareholders of subsidiaries		**150**	83
		336	272
		(1,286)	1,598
(Loss)/earnings per share	9		
– Basic		**RMB(20.2) cents**	RMB16.4 cents
– Diluted		**RMB(20.2) cents**	RMB15.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 RMB'million (Unaudited)	2019 RMB'million (Unaudited)
(Loss)/profit for the period	**(1,286)**	1,598
Other comprehensive (loss) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of foreign operations	**(1)**	–
Fair value adjustments on currency forward contracts designated as cash flow hedges	**(101)**	(191)
Fair value adjustments on interest rate swaps designated as cash flow hedges	**(1)**	–
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**158**	196
Share of other comprehensive loss of a joint venture and an associate	**(16)**	(18)
Item that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of properties transferred from property, plant and equipment to completed investment properties, net of tax	**20**	–
Other comprehensive income (loss) for the period	**59**	(13)
Total comprehensive (loss) income for the period	**(1,227)**	1,585
Total comprehensive (loss) income attributable to:		
Shareholders of the Company	**(1,567)**	1,313
Owners of convertible perpetual capital securities	**49**	57
Owners of perpetual capital securities	**137**	132
Non-controlling shareholders of subsidiaries	**154**	83
	340	272
	(1,227)	1,585

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 30 JUNE 2020

	Notes	**30 June 2020 RMB'million (Unaudited)**	31 December 2019 RMB'million (Audited)
Non-current assets			
Investment properties	10	**50,254**	51,913
Interests in associates	11	**7,453**	7,470
Interests in joint ventures	14	**11,207**	11,108
Property, plant and equipment		**1,248**	1,053
Right-of-use assets		**81**	96
Accounts receivable, deposits and prepayments	12	**359**	268
Pledged bank deposits		**2,440**	1,289
Deferred tax assets		**1,004**	922
Other non-current assets		**55**	17
		74,101	74,136
Current assets			
Properties under development for sale		**18,796**	17,855
Properties held for sale		**892**	973
Accounts receivable, deposits and prepayments	12	**3,480**	3,164
Loans to/amounts due from associates	11	**678**	778
Loans to/amounts due from joint ventures	14	**23**	45
Amounts due from related companies		**401**	416
Contract assets	13	**163**	53
Prepaid taxes		**304**	323
Derivative financial instruments	17	**34**	103
Pledged bank deposits		**158**	–
Bank balances and cash		**11,364**	10,570
		36,293	34,280
Current liabilities			
Accounts payable, deposits received and accrued charges	15	**6,365**	5,564
Contract liabilities		**6,822**	3,127
Bank borrowings – due within one year		**10,005**	5,852
Senior notes	16	**4,118**	–
Receipts under securitisation arrangements		**8**	7
Tax liabilities		**2,742**	3,575
Loans from/amounts due to non-controlling shareholders of subsidiaries		**1,748**	1,784
Amount due to an associate		**452**	453
Amount due to a joint venture		**6**	–
Amounts due to related companies		**331**	331
Derivative financial instruments	17	**1**	–
Liability arising from a rental guarantee arrangement		**158**	174
Lease liabilities		**10**	29
		32,766	20,896
Net current assets		**3,527**	13,384
Total assets less current liabilities		**77,628**	87,520

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 30 JUNE 2020

	Notes	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Non-current liabilities			
Bank borrowings – due after one year		**17,690**	19,971
Senior notes	16	**8,101**	11,399
Receipts under securitisation arrangements		**507**	512
Liability arising from a rental guarantee arrangement		**101**	208
Deferred tax liabilities		**5,356**	6,031
Lease liabilities		**95**	86
Defined benefit liabilities		**7**	6
		31,857	38,213
Capital and reserves			
Share capital		**146**	146
Reserves		**37,484**	39,930
Equity attributable to shareholders of the Company		**37,630**	40,076
Convertible perpetual capital securities		**–**	1,345
Perpetual capital securities		**4,057**	4,056
Non-controlling shareholders of subsidiaries		**4,084**	3,830
		8,141	9,231
Total equity		**45,771**	49,307
Total equity and non-current liabilities		**77,628**	87,520

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to shareholders of the Company							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	Other reserves RMB'million	Property revaluation reserves RMB'million	Retained earnings RMB'million	Sub-total 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
At 1 January 2020 (audited)	**146**	**18,078**	**122**	**(135)**	**8**	**10**	**(185)**	**(115)**	**76**	**88**	**21,983**	**40,076**	**1,345**	**4,056**	**3,830**	**9,231**	**49,307**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,622)**	**(1,622)**	**49**	**137**	**150**	**336**	**(1,286)**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**158**	**–**	**–**	**–**	**158**	**–**	**–**	**–**	**–**	**158**
Fair value adjustments on currency forward contracts designated as cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(101)**	**–**	**–**	**–**	**(101)**	**–**	**–**	**–**	**–**	**(101)**
Fair value adjustments on interest rate swaps designated as cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Gain on revaluation of properties transferred from property, plant and equipment to completed investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16**	**–**	**16**	**–**	**–**	**4**	**4**	**20**
Share of other comprehensive loss of a joint venture and an associate	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**–**	**(13)**	**–**	**–**	**(16)**	**–**	**–**	**–**	**–**	**(16)**
Total comprehensive (loss) income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**56**	**(13)**	**16**	**(1,622)**	**(1,567)**	**49**	**137**	**154**	**340**	**(1,227)**
Capital injection by non-controlling shareholders of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**100**	**100**	**100**
Lapse of share options	**–**	**–**	**–**	**–**	**(3)**	**–**	**–**	**–**	**–**	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**–**
2019 final dividend of HKD0.084 per share paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(623)**	**(623)**	**–**	**–**	**–**	**–**	**(623)**
Redemption of convertible perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(256)**	**–**	**–**	**(256)**	**(1,335)**	**–**	**–**	**(1,335)**	**(1,591)**
Distribution to owners of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(136)**	**–**	**(136)**	**(136)**
Distribution to owners of convertible perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(59)**	**–**	**–**	**(59)**	**(59)**
At 30 June 2020 (unaudited)	**146**	**18,078***	**122***	**(135)***	**5***	**10***	**(189)***	**(59)***	**(193)***	**104***	**19,741***	**37,630**	**–**	**4,057**	**4,084**	**8,141**	**45,771**
At 1 January 2019 (audited)	146	18,078	122	(135)	11	10	(138)	(107)	69	88	20,903	39,047	1,345	4,055	2,772	8,172	47,219
Profit for the period	–	–	–	–	–	–	–	–	–	–	1,326	1,326	57	132	83	272	1,598
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	–	–	–	–	–	–	196	–	–	–	196	–	–	–	–	196
Fair value adjustments on currency forward contracts designated as cash flow hedges	–	–	–	–	–	–	–	(191)	–	–	–	(191)	–	–	–	–	(191)
Share of other comprehensive loss of a joint venture	–	–	–	–	–	–	(18)	–	–	–	–	(18)	–	–	–	–	(18)
Total comprehensive (loss) income for the period	–	–	–	–	–	–	(18)	5	–	–	1,326	1,313	57	132	83	272	1,585
Acquisition of all the remaining interests in subsidiaries	–	–	–	–	–	–	–	–	7	–	–	7	–	–	–	–	7
Lapse of share options	–	–	–	–	(2)	–	–	–	–	–	2	–	–	–	–	–	–
2018 final dividend of HKD0.084 per share paid	–	–	–	–	–	–	–	–	–	–	(595)	(595)	–	–	–	–	(595)
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	(133)	–	(133)	(133)
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	(57)	–	–	(57)	(57)
At 30 June 2019 (unaudited)	146	18,078*	122*	(135)*	9*	10*	(156)*	(102)*	76*	88*	21,636*	39,772	1,345	4,054	2,855	8,254	48,026

* These reserve accounts comprised the consolidated reserves of RMB37,484 million and RMB39,626 million as at 30 June 2020 and 30 June 2019, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 **RMB'million** **(Unaudited)**	2019 RMB'million (Unaudited)
Net cash from operating activities		
(Increase) decrease in inventories of properties	**(601)**	1,869
(Increase) decrease in accounts receivable, deposits and prepayments	**(464)**	49
(Increase) decrease in contract assets	**(17)**	37
Increase (decrease) in accounts payable, deposits received and accrued charges	**918**	(436)
Increase (decrease) in contract liabilities	**3,695**	(4,591)
Other operating cash flows	**109**	3,985
	3,640	913
Net cash (used in) from investing activities		
Interest received	**94**	312
Additions to investment properties	**(122)**	(169)
Proceeds from disposal of investment properties	**–**	14
Proceeds from disposal of associates	**83**	351
Withdrawal of pledged bank deposits	**478**	1,298
Placement of pledged bank deposits	**(1,787)**	(2,302)
Investments in associates	**(15)**	(740)
Advances to associates	**–**	(1,330)
Advances to joint ventures	**(105)**	(644)
Investments in joint ventures	**–**	(136)
Repayments from associates	**–**	2,870
Repayments from joint ventures	**–**	1,787
Deposits for acquired commercial land	**(79)**	–
Deposits for acquisition of a new project	**(40)**	–
Payments made under rental guarantee arrangements	**(166)**	(162)
Other investing cash flows	**(70)**	90
	(1,729)	1,239
Net cash used in financing activities		
Capital injected by non-controlling shareholders of subsidiaries	**100**	–
Repayments of loans from a non-controlling shareholder	**–**	(30)
Repayments of lease liabilities	**(13)**	(6)
Repayment of receipts under securitisation arrangements	**(4)**	(3)
Drawdown of bank borrowings	**4,227**	9,280
Repayments of bank borrowings	**(2,647)**	(10,216)
Increase of senior notes	**578**	3,320
Settlements for derivative financial instruments designated as cash flow hedges	**148**	203
Interests paid	**(1,075)**	(922)
Payment of dividends	**(623)**	(595)
Distribution to owners of perpetual capital securities	**(136)**	(133)
Distribution to owners of convertible perpetual capital securities	**(59)**	(57)
Dividend paid to non-controlling shareholders of subsidiaries	**(34)**	–
Capital reduction paid to a non-controlling shareholder	**(2)**	–
Redemption of convertible perpetual capital securities	**(1,591)**	–
Payments for acquisition of the remaining interests in subsidiaries	**–**	(3,399)
	(1,131)	(2,558)
Net increase (decrease) in cash and cash equivalents	**780**	(406)
Cash and cash equivalents at the beginning of the period	**10,570**	13,104
Effect of foreign exchange rate changes	**14**	2
Cash and cash equivalents at the end of the period	**11,364**	12,700
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**11,364**	12,700

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. General

The condensed consolidated financial statements for the six months ended 30 June 2020 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. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	COVID-19-Related Rent Concessions (early adopted)
Amendments to IAS 1 and IAS 8	Definition of Material

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have a significant impact on the financial position and performance of the Group.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. The amendment did not have a significant impact on the Group's interim condensed consolidation financial information.

2. Changes in Accounting Policies and Disclosures – continued

The nature and impact of the revised IFRSs are described below – continued:

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3A. Revenue Information

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020 RMB'million (Unaudited)	2019 RMB'million (Unaudited)
Property development:		
Property sales	**161**	6,376
Property management fee income	**42**	38
	203	6,414
Property Investment:		
Income from hotel operations	**16**	44
Property management fee income	**90**	108
	106	152
Construction	**116**	197
Others	**128**	140
	553	6,903
Geographical markets		
Shanghai	**450**	5,514
Wuhan	**12**	22
Foshan	**44**	1,208
Chongqing	**46**	159
Nanjing	**1**	–
	553	6,903
Timing of revenue recognition		
At a point in time	**161**	6,376
Over time	**392**	527
	553	6,903

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 2020		
	The Group RMB'million	**Share of joint ventures RMB'million**	**Total RMB'million**
Property development:			
Property sales	**161**	**–**	**161**
Property management fee income	**42**	**–**	**42**
	203	**–**	**203**
Property investment:			
Income from hotel operations	**16**	**–**	**16**
Property management fee income	**90**	**–**	**90**
	106	**–**	**106**
Construction	**116**	**–**	**116**
Others	**128**	**5**	**133**
Revenue from contracts with customers	**553**	**5**	**558**
Rental income received from investment properties (property investment segment)	**815**	**28**	**843**
Rental related income (property investment segment)	**82**	**9**	**91**
Total	**1,450**	**42**	**1,492**

	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	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	32	924
Rental related income (property investment segment)	107	12	119
Total	7,902	44	7,946

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

	Six months ended 30 June 2020 (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	203	1,003	116	1,322	128	1,450
Share of revenue of joint ventures	–	37	–	37	5	42
Total segment revenue	203	1,040	116	1,359	133	1,492
SEGMENT RESULTS						
Segment results of the Group	64	(1,003)	(4)	(943)	60	(883)
Interest income						121
Other gains and losses						(163)
Share of losses of joint ventures and associates						(57)
Finance costs, inclusive of exchange differences						(808)
Unallocated income						6
Unallocated expenses						(191)
Loss before taxation						(1,975)
Taxation						689
Loss for the period						(1,286)

3B. Segmental Information – continued

	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

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 (losses) gains of joint ventures and associates, other gains and losses, reversal 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	
	2020 RMB'million (Unaudited)	2019 RMB'million (Unaudited)
Payable for relocation costs written back	**441**	–
Impairment loss on investment properties under development at cost and properties under development for sale	**(452)**	–
Cost arising from hedging activities	**(66)**	(119)
Premium for tender and exchange of senior notes	**(69)**	–
Change in fair value of liabilities arising from a rental guarantee arrangement	**(43)**	–
Change in fair value of derivative financial instruments	**32**	–
Gain on disposal of investment properties	**–**	6
Others	**(6)**	(20)
	(163)	(133)

5. Finance Costs, Inclusive of Exchange Differences

	Six months ended 30 June	
	2020 RMB'million (Unaudited)	2019 RMB'million (Unaudited)
Interest on bank borrowings	**750**	813
Interest on senior notes	**374**	296
Interest on loans from non-controlling shareholders of subsidiaries	**–**	29
Interest expenses from lease liabilities	**2**	2
Total interest costs	**1,126**	1,140
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(629)**	(315)
Interest expenses charged to profit or loss	**497**	825
Net exchange loss on bank borrowings and other financing activities	**275**	17
Others	**36**	26
	808	868

6. (Loss)/Profit Before Taxation

	Six months ended 30 June	
	2020 RMB'million (Unaudited)	2019 RMB'million (Unaudited)
Operating (loss)/profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**44**	47
Depreciation of right-of-use assets	**16**	8

6. (Loss)/Profit Before Taxation – continued

	Six months ended 30 June	
	2020 **RMB'million** **(Unaudited)**	2019 RMB'million (Unaudited)
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and other benefits	**19**	19
	20	20
Other staff costs		
Salaries, bonuses and other benefits	**471**	438
Retirement benefits costs	**11**	22
	482	460
Total employee benefits expenses	**502**	480
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(58)**	(31)
	444	449
Provision for (reversal of) impairment losses		
Accounts receivable	**6**	–
Receivables from disposal of a subsidiary	**–**	(180)
	6	(180)
Cost of properties sold recognised as an expense	**54**	3,746
Reversal of impairment losses on properties held for sale (included in "cost of sales")	**–**	(1)
Lease payments relating to short-term leases	**12**	10

7. Taxation

	Six months ended 30 June	
	2020 **RMB'million** **(Unaudited)**	2019 RMB'million (Unaudited)
The PRC Enterprise Income Tax – current tax	**34**	626
Deferred taxation	**(757)**	(29)
PRC Land Appreciation Tax	**30**	362
PRC Withholding Tax	**4**	1
	(689)	960

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 2019: 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 progressive rates within a range based on 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	
	2020 RMB'million (Unaudited)	2019 RMB'million (Unaudited)
Final dividend paid in respect of 2019 of HKD0.084 (2019: 2018 final dividend of HKD0.084) per share	**623**	595

Having taken into consideration the Group's financial performance during the period and the ongoing uncertainties regarding COVID-19, the Board has decided to recommend withholding interim dividend in 2020 (for the six months ended 30 June 2019: HKD0.036 per share, amounting to HKD290 million (equivalent to RMB263 million)).

A final dividend for the year ended 31 December 2019 of HKD0.084 (equivalent to RMB0.077 translated using the exchange rate of 0.91998 as at 1 June 2020) per share, amounting to HKD677 million (equivalent to RMB623 million translated using the exchange rate of 0.91998 as at 1 June 2020) in aggregate, was approved at the annual general meeting on 27 May 2020 and paid in June 2020.

9. (Loss)/Earnings Per Share

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

(Loss)/earnings

	Six months ended 30 June	
	2020 RMB'million (Unaudited)	2019 RMB'million (Unaudited)
(Loss)/earnings for the purpose of basic (loss)/earnings per share, being (loss)/profit for the period attributable to shareholders of the Company	**(1,622)**	1,326
Effect of dilutive potential ordinary shares: Adjustment for convertible perpetual capital securities	**–**	57
(Loss)/earnings for the purpose of diluted (loss) /earnings per share	**(1,622)**	1,383

9. (Loss)/Earnings Per Share – continued

Number of shares

	Six months ended 30 June	
	2020 million (Unaudited)	2019 million (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share (note (a))	**8,044**	8,044
Effect of dilutive potential ordinary shares: Convertible perpetual capital securities (note (b))	**–**	661
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,044**	8,705
Basic (loss) /earnings per share (note (c))	**RMB(20.2) cents**	RMB16.4 cents
	HKD(22.3) cents	HKD19.0 cents
Diluted (loss) /earnings per share (note (c))	**RMB(20.2) cents**	RMB15.9 cents
	HKD(22.3) cents	HKD18.4 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 2019: 17,710,250) shares held by a share award scheme trust as set out in note 18.

(b) There was no dilution effect for outstanding share options 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 2020 and 2019, and the effect for convertible perpetual capital securities was anti-dilutive for the six months ended 30 June 2020.

(c) 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 HKD1.1025 for the six months ended 30 June 2020 and RMB1.000 to HKD1.158 for the six months ended 30 June 2019, being the average exchange rates that prevailed during the respective periods.

10. Investment Properties

	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	**41,388**	42,888
Investment properties under construction or development,		
stated at fair value	**7,198**	2,915
stated at cost	**1,559**	5,997
	8,757	8,912
Investment property – sublease of right-of-use assets	**109**	113
	50,254	51,913

10. Investment Properties – continued

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

	Completed investment properties at fair value	Investment properties under construction or development at fair value	Investment properties under construction or development at cost	Investment property – sublease of right-of-use assets	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
At 1 January 2020 (audited)	**42,888**	**2,915**	**5,997**	**113**	**51,913**
Additions	**19**	**129**	**115**	**1**	**264**
Transfer from property, plant and equipment	**44**	**–**	**–**	**–**	**44**
Transfer from investment properties under construction or development at cost to investment properties under construction or development at fair value	**–**	**4,328**	**(4,328)**	**–**	**–**
Transfer to property, plant and equipment	**(232)**	**–**	**–**	**–**	**(232)**
Decrease in fair value recognised in profit or loss	**(1,331)**	**(174)**	**–**	**(5)**	**(1,510)**
Impairment loss on investment properties under development at cost	**–**	**–**	**(225)**	**–**	**(225)**
At 30 June 2020 (unaudited)	**41,388**	**7,198**	**1,559**	**109**	**50,254**
At 1 January 2019 (audited)	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

The fair values of the Group's investment properties at 30 June 2020 and 31 December 2019 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 the completed investment properties and investment property – sublease of right-of-use assets, the valuations have been arrived at using the income approach: term and reversion method. In this valuation 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 the 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 is 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 the 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 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Interests in associates		
– Cost of investments, unlisted	**7,569**	7,554
– Share of post-acquisition results, net of effect on elimination of unrealised interest income	**(103)**	(84)
– Share of other comprehensive loss of an associate	**(13)**	–
	7,453	7,470
Loan to an associate – current		
– Unsecured, interest bearing at 110% of People's Bank of China ("PBOC") Prescribed interest rate and repayable within one year from the end of the reporting period	**462**	450
Amounts due from associates – current		
– Unsecured, interest-free and repayable on demand	**216**	328
	678	778

12. Accounts Receivable, Deposits and Prepayments

	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Non-current balance comprises:		
Rental receivables in respect of rent-free periods	**220**	206
Trade receivables relating to goods and services	**60**	62
Deposits for acquired commercial land	**79**	–
	359	268
Current balance comprises:		
Rental receivables in respect of rent-free periods	**203**	130
Trade receivables		
– goods and services	**41**	50
– operating lease receivables	**87**	24
Prepayments of relocation costs (Note(a))	**739**	933
Deposits for acquired residential land	**341**	–
Receivables from disposal of associates and a joint venture	**237**	315
Receivables from disposal of subsidiaries (Note(b))	**1,048**	1,048
Other deposits, prepayments and receivables	**525**	524
Input value-added tax	**259**	140
	3,480	3,164

Notes:

(a) 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.

(b) A consideration of RMB500 million has been received in July 2020.

12. Accounts Receivable, Deposits and Prepayments – continued

Trade receivables comprise:

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

(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 is granted to the customers.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB188 million (31 December 2019: RMB136 million), of which 55% (2019: 42%) are aged less than 90 days, and 45% (2019: 58%) are aged over 90 days, as compared to when revenue was recognised.

13. Contract Assets

	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Construction	**163**	53

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's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group typically achieves specified milestones and thus have the right to bill the customers when the progress certificate, settlement letter or payment notice is obtained.

14. Interests in Joint Ventures/Loans to/Amounts Due from Joint Ventures

	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Interests in joint ventures		
– Costs of investments, unlisted	**8,727**	8,732
– Impairment provision	**(376)**	(376)
– Share of post-acquisition results, net of effect on elimination of unrealised interest income	**168**	214
– Share of other comprehensive loss of a joint venture	**(18)**	(15)
	8,501	8,555
Loans to joint ventures – non-current		
– Unsecured, interest bearing at 110% of PBOC Prescribed Interest rate	**1,847**	1,706
Amounts due from joint ventures – non-current		
– Unsecured, interest-free	**859**	847
	11,207	11,108
Amounts due from joint ventures – current		
– Unsecured, interest free and repayable on demand	**23**	45
	23	45

15. Accounts Payable, Deposits Received and Accrued Charges

	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Current portion comprise:		
Trade payables	**1,480**	1,349
Relocation cost payable	**1,280**	1,700
Retention payables (Note)	**262**	253
Deed tax and other tax payables	**65**	168
Deposits received and receipt in advance in respect of rental of investment properties	**741**	791
Value-added tax payable	**95**	51
Other payables and accrued charges	**652**	975
Value-added tax of contract liabilities	**336**	277
Earnest money for subscribed property sales	**1,454**	–
Total	**6,365**	5,564

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 RMB1,480 million (2019: RMB1,349 million), of which 81% (2019: 84%) are aged less than 30 days, 3% (2019: 1%) are aged between 31 to 90 days, and 16% (2019: 15%) are aged more than 90 days, based on the invoice date.

16. Senior Notes

	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
At the beginning of period/year	**11,399**	7,424
Issue of senior notes	**3,396**	5,417
Less: Transaction costs directly attributable to issue of senior notes	**(5)**	(7)
Interest charged during the period/year	**374**	640
Less: Interest paid	**(352)**	(531)
Less: Redemption of senior notes	**(2,736)**	(1,772)
Exchange translation	**143**	228
At the end of period/year	**12,219**	11,399
Less: Amount due within one year shown under current liabilities	**(4,118)**	–
Amount due after one year	**8,101**	11,399

As at 30 June 2020, the effective interest rate on the senior notes ranged from 5.5% to 7.24% (2019: 4.7% to 7.24%) per annum.

16. Senior Notes – continued

Issuance of Senior Notes during the current period

On 3 March 2020, Shui On Development (Holding) Limited ("SODH") undertook an exchange and tender of senior notes for the February and November 2021 due senior notes. An aggregate principal amount of USD490 million senior notes ("2025 USD490 million Notes") was issued by SODH to independent third parties with a maturity of five years due on 3 March 2025, bearing coupon at 5.5% per annum, payable semi-annually in arrears. Senior notes of total of USD392 million maturing in 2021 were tendered or exchanged for new senior notes.

Principal terms of 2025 USD490 million Notes

The 2025 USD490 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 2025 USD490 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 and from time to time on or after 3 March 2023, SODH may at its option redeem the 2025 USD490 million Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, up to (but not including) the redemption date if redeemed during the twelve month period beginning on 3 March of each of the years indicated below.

Period	Redemption Price
2023	102.75%
2024 and thereafter	101.375%

At any time prior to 3 March 2023, SODH may at its option redeem the 2025 USD490 million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see the definition below) as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time and from time to time prior to 3 March 2023, SODH may redeem up to 35% of the aggregate principal amount of the 2025 USD490 million Notes with the net cash proceeds of one or more sales of shares of the Company in an equity offering at a redemption price of 105.50% of the principal amount of the 2025 USD490 million Notes, plus accrued and unpaid interest, if any, up to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2025 USD490 million Notes 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 2025 USD490 million Notes was insignificant at initial recognition and at the end of the reporting period.

"Applicable Premium" means with respect to the 2025 USD490 million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2025 USD490 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 2025 USD490 million Notes through 3 March 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of the 2025 USD490 million Notes redeemed on such redemption date.

17. Derivative Financial Instruments

	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Derivative financial instruments include:		
Currency forward contracts designated as hedging instruments	**34**	103
Interest rate swap designated as hedging instruments	**1**	–
For the purpose of financial statement presentation:		
Current assets	**34**	103
Current liabilities	**1**	–

Currency forward contracts designated as hedging instruments

As at 30 June 2020, the Group had several forward and capped forward contracts to reduce currency exchange fluctuation of certain of the Group's senior notes and bank borrowings.

18. Share-Based Payment Transactions

Share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to the 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 2020, 9,014,800 share options (31 December 2019: 13,336,162 share options) remained outstanding under the Scheme, representing 0.1% (31 December 2019: 0.2%) of the ordinary shares of the Company in issue at that date. The Scheme allows the Board of Directors of the Company, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

		Number of options			
Date of grant	**Exercise price HKD**	**At 1 January 2020**	**Exercised during the period**	**Lapsed during the period**	**At 30 June 2020**
18 January 2012	**2.41**	**4,288,962**	**–**	**(4,288,962)**	**–**
7 July 2015	**2.092**	**3,425,400**	**–**	**–**	**3,425,400**
4 July 2016	**1.98**	**5,621,800**	**–**	**(32,400)**	**5,589,400**
Total		**13,336,162**	**–**	**(4,321,362)**	**9,014,800**
Categorised as:					
Directors		**874,000**	**–**	**–**	**874,000**
Employees		**12,462,162**	**–**	**(4,321,362)**	**8,140,800**
		13,336,162	**–**	**(4,321,362)**	**9,014,800**
Number of options exercisable		**10,075,762**			**7,825,200**

18. Share-Based Payment Transactions – continued

Share option scheme – continued

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 2020 and 30 June 2019, none of 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 was 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.

In 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 the 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 on average.

As at 30 June 2020, 17,710,250 (31 December 2019: 17,710,250) shares were allotted at par and held by the trust for the share award schemes.

The aggregate fair value of 24,854,000 award shares determined based on the share price of the Company at the date of grant amounting to approximately HKD45 million (approximately RMB39 million) has been recognised as expenses in profit or loss by end of year 2018.

19. Pledge of Assets

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

	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Investment properties	**29,517**	30,079
Property, plant and equipment	**115**	86
Right-of-use assets	**6**	6
Properties under development for sale	**16,519**	7,108
Accounts receivable	**60**	37
Bank deposits	**2,598**	1,289
	48,815	38,605

20. Commitments and Contingencies

(a) Capital and other commitments

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

	30 June 2020 RMB'million (Unaudited)	31 December 2019 RMB'million (Audited)
Contracted but not provided for:		
Development costs for investment properties under construction or development	**790**	676
Development costs for properties under development held for sale	**4,477**	1,576
	5,267	2,252

(b) Contingent liabilities

(i) The Group provided guarantees of RMB910 million at 30 June 2020 (31 December 2019: RMB1,152 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.

In determining whether provision of losses should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgement in the 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 was insignificant at initial recognition as the guarantee amount should be significantly lower than the value of properties and the Group is entitled to possess the property if there is default by the customers and the Directors of the Company consider that the possibility of the default of the parties involved was remote, and accordingly, no value has been recognised in the condensed consolidated statement of financial position as at 30 June 2020. Should the actual outcome be different from expected, provision of losses will be recognised in the condensed consolidated financial statements.

21. 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	
	2020 RMB'million (Unaudited)	2019 RMB'million (Unaudited)
SOCL and its subsidiaries other than those of the Group*		
Rental, building management fee and renovation expenses	**8**	–
*SOCAM * and its subsidiaries, being subsidiaries of SOCL*		
Revenue from construction services	**5**	58
Associates		
Interest income	**6**	49
Construction income	**92**	102
Asset management fee and lease commission fee income	**17**	5
Joint ventures		
Interest income	**37**	46
Asset management fee income	**12**	13
Project management fee income	**60**	60
Construction income	**2**	9
Non-controlling shareholders of subsidiaries		
Interest expense	**–**	29
Asset management fee expense	**6**	5
Key management personnel		
Short-term employee benefits	**76**	66
Property sales	**–**	24
	76	90

* 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, a subsidiary of SOCL.

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

22. Fair Value and Fair Value Hierarchy of Financial Instruments

The Group's derivative financial instruments, other than the liability arising from a rental guarantee arrangement, 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 the following assumptions:

	30 June 2020	31 December 2019
Estimated office unit rental	**RMB77 to RMB80 per square meter**	RMB81 to RMB85 per square meter
Occupancy rate	**84% to 93%**	84% to 95%
Risk-free rate	**2.19%**	2.47%
Discount rate	**10.60%**	8.46%
Expected expiry date	**31 January 2022**	31 January 2022

The following table presents the reconciliation of level 3 instruments for the period ended 30 June 2020 and 30 June 2019:

	Liabilities arising from rental guarantee arrangements RMB'million
At 1 January 2019 (audited)	(549)
Settlement	162
Fair value changes (note 4)	–
At 30 June 2019 (unaudited)	(387)
At 1 January 2020 (audited)	**(382)**
Settlement	**166**
Fair value changes (note 4)	**(43)**
At 30 June 2020 (unaudited)	**(259)**

Loss of RMB43 million (for the six months ended 30 June 2019: nil) has been recognised in profit or loss in the current period to reflect changes in estimates.

The Group's liabilities arising from rental guarantee arrangements that are measured at fair value at the end of the reporting period are grouped under Level 3. There were no transfers in or out of Level 3 during the period. Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability. The higher the estimated office unit rental and occupancy rate, the lower the fair value of the liabilities arising from rental guarantee arrangements. The higher the discount rate is, the lower the fair value of the liabilities arising from rental guarantee arrangements.

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.

22. Fair Value and Fair Value Hierarchy of Financial Instruments – continued

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

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

23. Impact of COVID-19

The outbreak of COVID-19 has caused severe disruptions to global economies and business activities; the operations of the Group's property businesses have also been greatly affected. As a result, the Group suffered a downward revaluation on the Group's investment properties, and a delay in the construction and property delivery. The Group also implemented rent exemption measures and other reliefs to the tenants for some of the commercial properties during the operation suspension period. With China having substantially contained the COVID-19 pandemic, the property construction and sales activities of the Group have gradually resumed.

24. Events after the Reporting Period

On 24 August 2020, SODH issued USD500 million senior notes to independent third parties with a maturity of four years due on 24 August 2024, bearing coupon at 6.15% per annum, payable semi-annually in arrears.

25. Approval of Financial Statements

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 26 August 2020.

Interim Dividend

Having taken into consideration the Group's financial performance during the period and the ongoing uncertainties regarding COVID-19, the Board has decided to recommend withholding interim dividend for the six months ended 30 June 2020 (1H2019: HKD0.036 per share).

Directors' Interests in Securities

At 30 June 2020, 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		Approximate percentage of interests to the issued share capital of the Company
Name of Directors	Personal interests	Family interests	Other interests	Share options (Note 3)	Total	(Note 4)
Mr. Vincent H. S. LO ("Mr. Lo")	–	1,849,521 (Note 1)	4,461,835,751 (Note 2)	–	4,463,685,272	55.37%
Mr. Douglas H. H. SUNG ("Mr. Sung")	–	–	–	437,000	437,000	0.0054%
Ms. Stephanie B. Y. LO ("Ms. Lo")	–	–	4,461,835,751 (Note 2)	437,000	4,462,272,751	55.35%
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 1,725,493,996 shares, 2,672,990,325 shares, 33,503,493 shares and 29,847,937 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), Chester International Cayman Limited ("Chester International") and New Rainbow Investments Limited ("NRI") respectively whereas SOP and Chester International 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 62.60% as of 30 June 2020. 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 2020.

(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	62.68%
Ms. Lo	–	–	234,381,000 (Note 2)	234,381,000	62.60%

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, Bosrich and HSBC Trustee 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. 374,396,164 shares) at 30 June 2020.

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

Name of Directors	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Mr. Lo	Shui On Development (Holding) Limited ("SODH")	Founder and discretionary beneficiary of a trust	RMB50,000,000 USD28,800,000
		Family interests	RMB35,500,000 USD2,000,000
Mr. Sung	SODH	Personal	USD200,000
Ms. Lo	SODH	discretionary beneficiary of a trust	RMB50,000,000 USD28,800,000

Save as disclosed above, at 30 June 2020, 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 2020, 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	4,463,685,272 (Notes 1 & 3)	55.37%
HSBC Trustee	Trustee	4,461,835,751 (Notes 2 & 3)	55.34%
Bosrich	Trustee	4,461,835,751 (Notes 2 & 3)	55.34%
SOCL	Interests of Controlled Corporation	4,461,835,751 (Notes 2 & 3)	55.34%

Notes:
(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,461,835,751 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 4,461,835,751 shares under Part XV of the SFO.
(2) These shares were held by SOCL through its controlled corporations, comprising 1,725,493,996 shares, 2,672,990,325 shares, 33,503,493 shares and 29,847,937 shares held by SOP, SOI, Chester International and NRI respectively whereas SOP and Chester International were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 62.60% as of 30 June 2020. 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 2020.

Save as disclosed above, at 30 June 2020, 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 18 to the condensed consolidated financial statements.

The following table sets out the movement of the Company's share options during the six months ended 30 June 2020:

Name or category of Eligible participants	Date of grant	Exercise price per share HKD	At 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2020	Period during which the share options are exercisable
DIRECTORS								
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	4,288,962	–	–	(4,288,962)	0	28 June 2013 – 17 January 2020
	7 July 2015	2.092	3,425,400	–	–	0	3,425,400	1 June 2016 – 6 July 2021
	4 July 2016	1.98	4,747,800	–	–	(32,400)	4,715,400	1 June 2017 – 3 July 2022
SUB–TOTAL			**12,462,162**	**–**	**–**	**(4,321,362)**	**8,140,800**	
TOTAL			**13,336,162**	**–**	**–**	**(4,321,362)**	**9,014,800**	

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 2020, 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 2020.

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 2020.

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 Mr. Frankie Y. L. Wong's retirement as a Non-executive Director of the Company at conclusion of the annual general meeting of the Company held on 27 May 2020 (the "AGM") and as of the date of this report, the Board comprises eight members in total, with three Executive Directors and five INEDs.

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

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

Chairman and Chief Executive

The 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, a copy of which has been published on the Company's website.

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 2020, 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, namely 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 five members, namely Mr. Lo, 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.

Induction, Training 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 2020, 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

On 4 June 2015, SODH issued USD225 million 7.50% senior convertible perpetual capital securities (the "Securities"). On 4 June 2020 (the "Redemption Date"), SODH redeemed all the outstanding Securities with the aggregate principal amount of USD225 million. Upon redemption of all the outstanding Securities on the Redemption Date, all the Securities were cancelled.

On 6 February 2017, SODH issued USD500 million in 5.70% senior notes due 2021 (the "2021 Notes") and on 28 February 2019, SODH issued USD500 million in 6.25% senior notes due 2021 (the "2021 SODH Notes"). On 20 February 2020, SODH commenced the Exchange and Tender Offer to the Eligible Holders of 2021 Notes and 2021 SODH Notes. On 28 February 2020, the Company determined to accept (i) USD64,972,000 for the exchange of the 2021 Notes; (ii) USD172,641,000 for the tender of the 2021 Notes; (iii) USD24,942,000 for the exchange of 2021 SODH Notes; and (iv) USD129,408,000 for the tender of the 2021 SODH Notes. After the completion of the Exchange and Tender Offer, the notes exchanged and tendered were cancelled. The outstanding principal amounts of the 2021 Notes were USD262,387,000 and the outstanding principal amounts of the 2021 SODH Notes were USD345,650,000.

Save as disclosed above, 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 2020.

Disclosure under Rule 13.21 of the Listing Rules

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 2021 Notes issued by SODH, 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 2021 SODH Notes issued by SODH, 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.

On 12 November 2019, a written agreement (the "2023 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD300 million in 5.75% senior notes due 2023 issued by SODH (the "2023 SODH Notes"), pursuant to which the 2023 SODH Notes were issued. The 2023 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2023 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2023 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 12 November 2019.

On 3 March 2020, a written agreement (the "2025 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD400 million in 5.50% senior notes due 2025 issued by SODH (the "2025 SODH Notes"), pursuant to which the 2025 SODH Notes were issued. The 2025 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2025 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2025 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 3 March 2020.

On 20 February 2020, SODH commenced the Exchange and Tender Offer to the Eligible Holders of 2021 Notes and 2021 SODH Notes. On 28 February 2020, the Company determined to accept USD64,972,000 for the exchange of the 2021 Notes and USD24,942,000 for the exchange of 2021 SODH Notes. Pursuant to the Exchange Offer, USD89,914,000 new notes were issued which formed a single series with the 2025 SODH Notes with the aggregate principle amount of USD489,914,000. Details of the transaction were set out in the announcements of the Company dated 20 February 2020, 21 February 2020, 2 March 2020 and 3 March 2020.

Any breach of the above obligations will cause a default in respect of the 2021 Notes, the Senior Perpetual Securities, the 2021 CNH Notes, the 2021 SODH Notes, the 2023 SODH Notes and the 2025 SODH Notes and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB12,935 million at 30 June 2020.

On 24 August 2020, a written agreement (the "2024 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD500 million in 6.15% senior notes due 2024 issued by SODH (the "2024 SODH Notes"), pursuant to which the 2024 SODH Notes were issued. The 2024 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2024 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2024 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 24 August 2020.

Employees and Remuneration Policy

As of 30 June 2020, the number of employees in the Group was 3,120 (31 December 2019: 3,239); which included the headcount of the property management business at 1,558 (31 December 2019: 1,635), the headcount of the construction and fitting out business at 202(31 December 2019: 213). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, long term incentive 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 (Managing Director)

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)
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

Ernst & Young

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown

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George Town
Grand Cayman KY1-9005
Cayman Islands

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PRC

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Wan Chai
Hong Kong

Principal Share Registrar and Transfer Office

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24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Branch Share Registrar and Transfer Office

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

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China 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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