



瑞安房地產
SHUI ON LAND

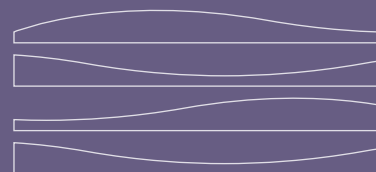
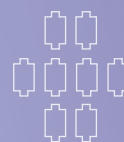
INTERIM
REPORT
2023

INTERIM REPORT 2023
二零二三年度中期業績報告

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

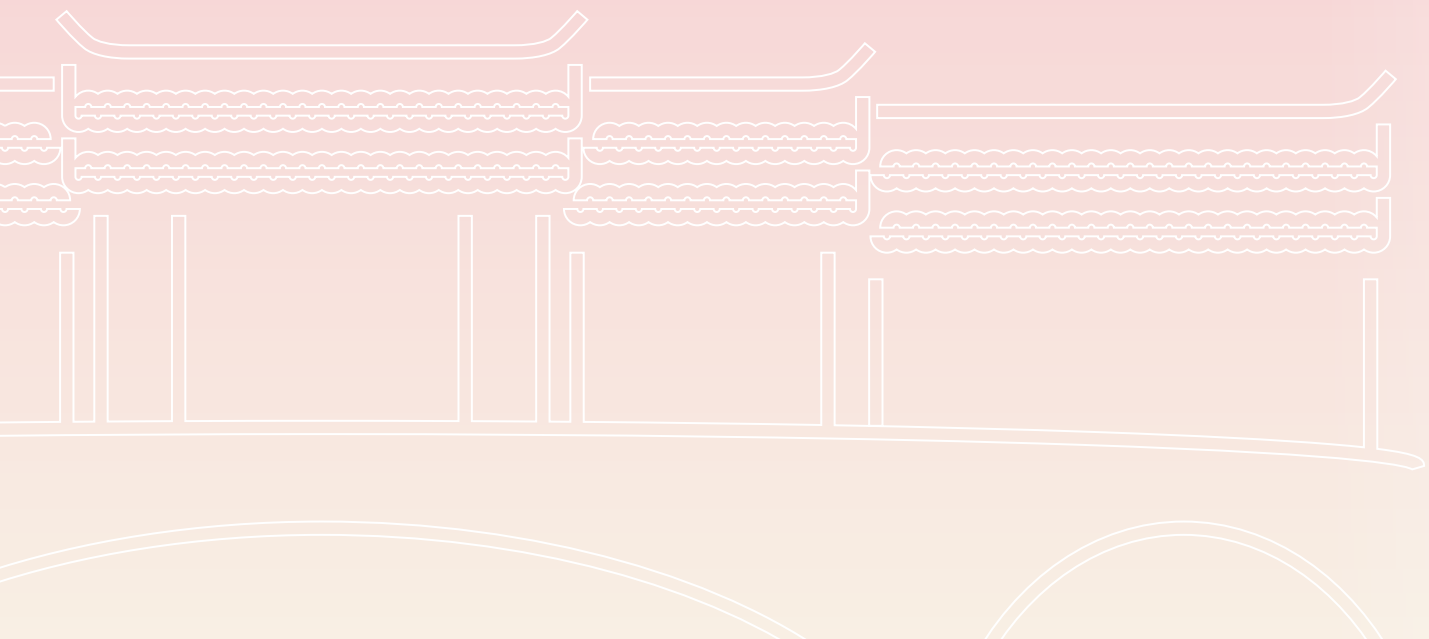
STOCK CODE 272
股份代號 272



A LEADING URBAN SOLUTIONS PROVIDER IN CHINA

Headquartered in Shanghai, Shui On Land (Stock Code: 272) is a leading urban solutions provider dedicated to creating sustainable premium urban communities 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 2023, the Company has 14 projects in various stages of development in prime locations of major cities, with a landbank of 8.7 million sq.m. (6.3 million sq.m. of leasable and saleable GFA, and 2.4 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 RMB83 billion of commercial assets located in prime locations in Shanghai.

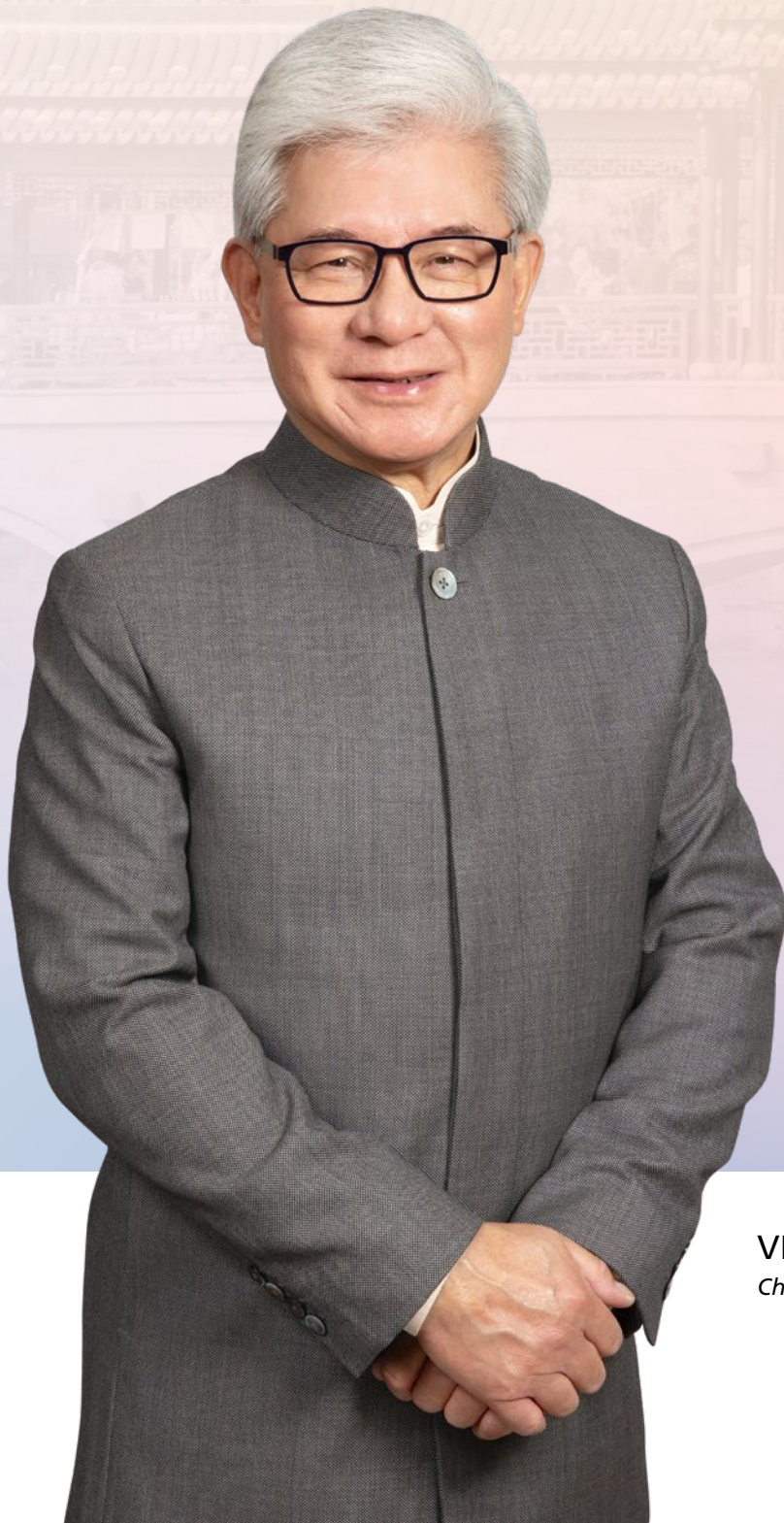
The Company was established in 2004 and was listed on the Hong Kong Stock Exchange on October 4, 2006. Shui On Land was included in the Hang Seng Composite Index, Hang Seng Composite Industry Index – Properties & Construction, Bloomberg Gender-Equality Index as well as Bloomberg ESG Score Universe.



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CHAIRMAN'S STATEMENT



VINCENT H. S. LO
Chairman

“ We are particularly proud of our ability to respond to the evolving urban development needs on the ground, swiftly capturing changing consumer sentiment and continuously creating new demand in a rapidly changing market. ”

Dear Shareholders,

Notwithstanding a challenging market environment facing the property industry in 2023, the Group achieved resilient financial results for the first half of the year with a stable balance sheet. While business activities in China have resumed following the lifting of COVID-19 restrictions in December 2022, consumer confidence remains cautious, resulting in a much weaker than expected recovery in the first half of 2023. Looking ahead, even though the World Bank has raised its forecast for China's economic growth this year to 5.6%, it noted that “risks are tilted to the downside”. The data for the April to June also indicated a marked slowdown, further clouding the outlook for the property market.

Resilient Financial Performance and a Stable Balance Sheet

The Group reported a profit of RMB913 million in the first six months of 2023, with profit attributable to shareholders of RMB618 million, reflecting a year-on-year increase of 17% and 37% respectively. Sales activity for the Group's residential properties saw strong demand, with property sales in the first half of 2023 amounting to RMB4,662 million (1H 2022: RMB2,449 million), an increase of 90%. Total rental and related income (including joint ventures and associates) was RMB1,515 million, representing a growth of 3% year-on-year.

The Group's balance sheet remained stable, with a net gearing of 50% and cash and bank deposits of RMB12,239 million as at 30 June 2023. This is reflective of our long-standing focus on prudent financial management and a selective approach towards new investments.

The Board has recommended an interim dividend of HKD0.032 per share (1H 2022: HKD0.036 per share).

Resilience in the Face of Market Weakness

A barometer of the Chinese economy, the property market has inevitably been affected by volatility in the macro-environment, with lower-tier cities being the most impacted, while core cities and central locations were more resilient.

For the retail sector, the recovery in consumer spending has been moderate, performing below market expectations. The office sector, meanwhile, has been facing great challenges as a considerable amount of supply meets with easing demand. As potential buyers become more cautious, demand for residential property has also seen decline, in turn leading to falling sales and cashflow for many developers. As more balance sheets come under stress, further consolidation in the industry is to be expected.

Our Group's strategic focus on Shanghai and premium developments has enabled us to weather the downturn better than many others in the market. The occupancy rate across the office portfolio maintained an average of 88% as tenants give more weight to the value of prime locations, as well as the premium space and services we are able to offer. In particular, our office properties in Shanghai achieved an average occupancy rate of 92%. Footfall and sales in our retail properties for the first half of 2023 have recovered to 120% and 109% of the levels seen in the same period in 2021, respectively, as consumers seek more stimulating shopping, dining and leisure experiences than those offered in traditional locations and settings. Our residential sales have been robust, thanks to our well-established brand which continuously draws in buyers who are seeking better environment in a master-planned community and contemporary living space. In May, for example, the units of Wuhan Tiandi La Riva III were sold out online on the day of its launch, achieving the highest record in pre-sale price in Wuhan.

Leading Urban Regeneration in China

We have a long-standing history of urban regeneration projects in China and our performance in this area has been outstanding. We are particularly proud of our ability to respond to the evolving urban development needs on the ground, swiftly capturing changing consumer sentiment and continuously creating new demand in a rapidly changing market. This proven track record is what sets us apart from the competition. It supports our unique positioning as a leading urban solutions provider in China.

For decades now, we have focused our efforts on mixed-use developments that integrate the environment, heritage and culture into innovative urban destinations. Our philosophy thus echoes the nation's desire to move away from the traditional growth model and put more emphasis on the quality of economic growth. A clear indicator of this shift in thinking are the favourable policies launched in recent years to promote environmental initiatives and the preservation of China's cultural legacy. Meanwhile, coming out of the COVID-19 pandemic, more and more people in China have begun to embrace the "green", healthy aspects of their lives, leading them to be more selective about where to live, work and spend their leisure time. These trends set a solid foundation for the Group's long-term growth, as we develop more iconic urban regeneration projects.

Panlong Tiandi, a mixed-use development in Shanghai's Qingpu District that officially opened at the end of April 2023 would be a prime example of such urban regenerations projects we pursue. Developed according to an urban retreat concept that embodies "culture, nature and future", it is set in extensive parkland, with restored Jiangnan architectures and waterways crossed by bridges dating back to the Ming Dynasty, and offers a retreat from the stresses and strains of city life with arts, leisure and entertainment facilities. Upon its grand opening, the venue welcomed over a million visitors within the first week, a strong indication that the complex is catering successfully to the needs of today's Chinese consumer. The residential component was heavily oversubscribed, while the retail footfall proved more resilient than at many of its counterparts in conventional, central locations. I am delighted to see Panlong Tiandi thus become a top-tier retreat destination for the city's residents and a new cultural landmark for the Yangtze River Delta.

Leveraging this success, we are now planning to take this concept to the next level, with a potential new development Zhaojia Lou in the near future. Located in Shanghai's Minhang District, it is an exciting project we are undertaking in partnership with state-owned Shanghai Pucheng Investment Development Co., Ltd.. Aiming to preserve the rich cultural heritage of the site, we will adopt a sensitive approach to renovating the existing architectural fabric. A particular feature is its proximity to open farmland, making it ideal for luxury hospitality themes such as "farm-to-table", which are gaining popularity among China's increasingly sophisticated consumers.

A More Ambitious Environmental Target

Our entire philosophy as a Group, focused as we are on urban regeneration, has naturally lent itself to playing a major role in the adoption of leading environmental, social and governance (ESG) practices within our industry. Such considerations are not only integrated into our developments, but also guiding us in assessing what investments to make.

The most significant development in our 5C Sustainability Strategy since the start of the year has been the adoption of a more ambitious target for our commitment to the UN-backed Science Based Target initiative (SBTi). This initiative aims to encourage companies to draw on the latest climate science to help their operations make a positive contribution to combatting man-made climate change through changes in practices. We are the first developer in China to participate in SBTi. In July, our application for a 1.5°C target was officially approved. Amongst other things, it commits us to reducing the energy consumption intensity of our existing properties by 20% from 2019 levels by 2030. As an example of how we are working towards this, all of our Wuhan projects now use renewable electricity, accounting for about 15% of the Group's total electricity consumption as of June 2023.

We continue to receive international recognition for our efforts across the ESG spectrum. Shui On Plaza, the office and retail complex to the north of Xintiandi in Shanghai, was named in the 2023 ULI Asia Pacific Awards for Excellence. Since last year, we have been included in the Bloomberg Gender-Equality Index, a modified market capitalisation-weighted index that aims to track the performance of public companies committed to transparency in gender-data reporting. I am pleased to report that this year we have not merely maintained our inclusion, but have also improved our score. More broadly, it was announced in May that we had topped the 2023 Fortune China ESG Impact List, recognising us as one of the 40 most influential enterprises in China.

Prudent Financial Management Safeguards Success

We are able to capitalise on current opportunities because of our prudent financial management, which has enabled us to withstand the ongoing liquidity crisis engulfing the property industry.

As China's capital markets grow in depth and sophistication, we are increasingly diversifying our onshore financing channels. The most recent initiative was the issuance of a commercial mortgage-backed security (CMBS), backed by THE HUB in Shanghai. This is an important milestone for the Group, as it is the largest ever private green-mortgage-backed onshore CMBS and the first in China supported by a transit-oriented development. It was listed on the Shanghai Stock Exchange with an issue size of RMB4.401 billion, a credit rating of AAA_{sf} and a coupon rate of 3.9%. The securitisation demonstrates the confidence financial institutions and investors have in our commercial assets.

Challenging Market Environment

The softening of the economy that was apparent in the second quarter of 2023 is carrying through into the second half of the year. The recovery of business and consumer confidence will inevitably take time. Property prices may decline further, especially in lower-tier cities and for less luxury developments. More developers will experience financial distress, especially for those with suspended trading due to non-compliance in reporting financial results in the past 2 years, the September deadline to report financial results is near. The market consolidation will thus continue and possibly accelerate.

The difficult environment will inevitably weigh on our businesses in the coming months. However, we have seen strong momentum in our residential sales and expect this to be sustained in the second half of the year. Our high-quality office and retail properties are well-aligned with the needs and aspirations of the market and hence are outperforming

many of their peers as regards occupancy and rentals. It is encouraging to see that, in late July, the Politburo of the Central Committee of the Chinese Communist Party proposed a rapid adjustment to real estate policies to respond to the significant changes in supply and demand, urging good use of the policy toolbox based on the challenges facing different Chinese cities. It was made clear that policy support for top-tier and more popular cities will be bolstered, which should help restore the market confidence.

Looking beyond 2023, we will cautiously capitalise on the opportunities that are now emerging in the wake of the long-awaited correction that will eventually put the market on a more sustainable footing. Our strong brand and our reputation as a reliable partner have also made us highly sought-after by municipal governments eager to revitalise their cities. With prudent capital management and a stable balance sheet, we will selectively replenish our landbank as attractive investment opportunities arise. This will enable us to build up a pipeline of exciting new projects that will deliver good revenue streams in the years ahead.

In many ways, this is a tribute to our management team. They were especially hampered during the years of the COVID-19 pandemic, when travel between Hong Kong and Mainland was not possible. That the Group has been able to complete projects and run its operations so effectively despite this challenge testifies to the strength and depth our management enjoys. Knowing that the Group is in such capable hands should give stakeholders every confidence in its future.

Appreciation to all our stakeholders

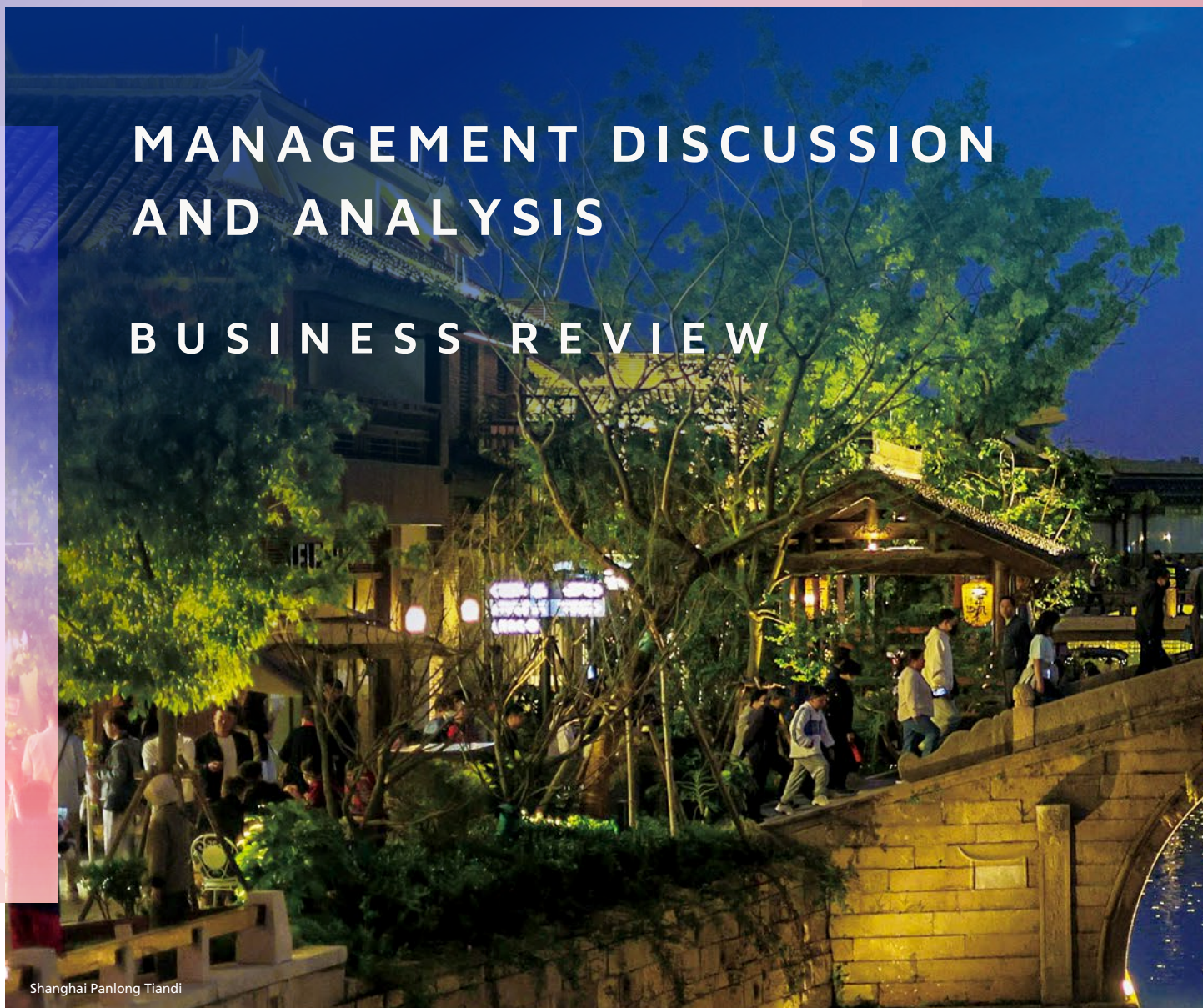
In challenging times like this, a highly experienced Board is especially important, and I wish to take this opportunity to thank my fellow directors for their continued invaluable counsel. For a sound strategy to succeed, however, it requires the wholehearted commitment of the entire organisation. On behalf of the Board, I must also express my sincere gratitude to our management team and employees for keeping us very much on track. I thank also our shareholders, business partners, and customers for their continuing support. More challenges undoubtedly lie ahead, but so are opportunities that we are in a good position to seize.



VINCENT H. S. LO
Chairman
Hong Kong, 22 August, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW



Resilient performance amidst a challenging market environment: The China property industry continues to face numerous challenges in 2023. While business activities in China have resumed following the lifting of COVID-19 restrictions, consumers remain cautious, resulting in a weaker than expected recovery in the first half of 2023. At the same time, liquidity remains very tight for most developers. Against this backdrop, we are pleased to report solid results. Group revenue increased by 46% to RMB6,431 million in the first half of 2023 ("1H 2023") compared to the first half of 2022 ("1H 2022"). Profit for the period increased by 17% year-on-year to RMB913 million, while profit attributable to shareholders also rose 37% year-on-year to RMB618 million.

Property sales and rental income have shown growth: Property sales in 1H 2023 increased by 90% to RMB4,662 million (1H 2022: RMB2,449 million), mainly contributed by Shanghai Panlong Tiandi. The opening of Shanghai Panlong Tiandi in April 2023 and the re-opening of Xintiandi Style II generated additional revenue for the Group. Total rental and related income (including joint ventures and associates) was RMB1,515 million, representing a growth of 3% year-on-year.



Maintaining prudent capital management and stable balance sheet: Net gearing ratio increased slightly to 50% as of 30 June 2023. Cash and bank deposits totalled RMB12,239 million. We are committed to maintaining a prudent approach in managing our balance sheet, with maintaining good liquidity as a top priority.

Successful issuance of the largest ever private green-mortgage-backed onshore CMBS: In April, the Group successfully issued an onshore commercial mortgage-backed securities ("CMBS") backed by THE HUB in Hongqiao Central Business District, Shanghai. It is the first CMBS in China supported by a transit-oriented development commercial complex. It is listed on the Shanghai Stock Exchange with an issue size of RMB4,401 million, a credit rating of AAA_{sfr}, and a coupon rate of 3.9%.

Interim dividend declared: Having considered the Group's financial performance during the period, the Board has resolved to recommend the payment of a 2023 interim dividend of HKD0.032 per share (1H 2022: HKD0.036 per share).



Shui On Land is a leading commercial property-focused developer, owner, and asset manager in China, anchored by a prime city centre portfolio in Shanghai. We believe in creating long-term value through the design, development, and management of unique live-work-play-learn communities. Our “Asset Light Strategy” facilitates our strategic transformation, enabling us to enhance the Group’s financial strength and diversify our capital base while seeking new investment opportunities.

The Group has two main businesses, namely property development and property investment and management. Since our inception, we have been focusing on developing large-scale, mixed-use real estate projects in prime locations. After over 26 years of investing and building in China, the Group today owns and manages a significant investment property portfolio under its wholly owned subsidiary Shui On Xintiandi (“SXTD”). Our two businesses are complementary to each other, which enables the Group to provide comprehensive, high-quality products and services across the spectrum of residential, retail, and office sectors both for sale and for long-term investment.

Our motto is “to be a pioneer in developing and operating sustainable premium urban communities.” Since the inception of Shui On Land, sustainable development has been part of our DNA, and we are committed to caring for the environment, preserving and rejuvenating China’s cultural heritage, as well as to build and sustain vibrant communities. Sustainability is core to our business strategy and not a separate initiative. We employ a people-centric, sustainable approach to designing and building master-planned communities and have a widely-recognised track record in sustainable development.

KEY ACHIEVEMENTS IN 1H 2023

- In 1H 2023, we recorded contracted sales of RMB4,564 million, comprising residential property sales of RMB4,196 million and commercial property sales of RMB368 million, respectively. RMB606 million of subscribed sales as of 30 June 2023 is expected to be converted into contracted property sales in the second half of 2023 (“2H 2023”) and beyond.
- Our commercial property portfolio has delivered resilient recurrent rental income. Including properties held by joint ventures and associates, total rental and related income increased by 3% year-on-year to RMB1,515 million in 1H 2023, of which 74% was contributed by our portfolio located in Shanghai.
- The asset enhancement of Xintiandi Style II in Shanghai was completed and reopened in January 2023 with a brand-new concept and positioning to cater to the lifestyle-focused preferences of the growing young premium clientele.
- The retail facilities in Shanghai Panlong Tiandi, with 41,000 sq.m., were soft opened at the end of April 2023, and the venue welcomed over 1 million visitors within the first week of operations.
- In April 2023, the Group established a 90/10 joint venture company (Shanghai Zhaolou Tiandi Co., Ltd.) with a state-owned company to bid for the land in Pujiang Town, Minhang District, Shanghai. The land will be mainly for a mixed-use development comprising residential, commercial, and ancillary facilities.

- In April 2023, the Group successfully issued the largest ever private green Mortgage-backed onshore CMBS, which marks an important milestone in onshore financing. It is listed on the Shanghai Stock Exchange with an issue size of RMB4,401 million, a credit rating of AAA_{sf}, and a coupon rate of 3.9%. The Company intends for all net proceeds from the issuance of the CMBS to be used for the Group's repayment of the existing debt and

general working capital. The successful issuance of the CMBS at a significant size and low coupon rate highlights the premium asset quality of the Group's investment properties. It also reflects the Group's commitment to integrating sustainability into its financing mechanisms. A remarkable step in onshore financing, the successful issuance of the CMBS proves the Group's strong capital management capability.

PROPERTY SALES PERFORMANCE

Recognised Property Sales

For 1H 2023, total recognised property sales were RMB34,706 million (after deduction of applicable taxes). The increase was mainly contributed by the handover of Shanghai RHXC Ocean One (Lot 7), Shanghai RHXC Park Vera (Lot 167A), and Shanghai Panlong Tiandi. The average selling price ("ASP") excluding carparks increased by 49% to RMB76,100 per sq.m. compared to 1H 2022, as most of the sales this year were recorded from Shanghai projects with higher ASPs.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 1H 2023 and 1H 2022:

Project	1H 2023			1H 2022		
	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 (Lot 118)	105	700	164,300	–	–	–
Shanghai RHXC						
Residential (Lot 1)	–	–	–	16	200	90,000
Retail (Lot 1)	–	–	–	8	100	80,000
Residential (Lot 7)	16,833	160,700	115,000	–	–	–
Residential (Lot 167A)	9,183	83,800	119,900	–	–	–
Shanghai Panlong Tiandi	4,239	70,200	66,100	2,065	37,100	60,900
Wuhan Tiandi						
Residential	–	–	–	314	6,900	49,700
Office	–	–	–	26	1,300	21,500
Wuhan Optics Valley Innovation Tiandi						
Residential	27	1,300	22,300	85	4,600	20,000
Foshan Lingnan Tiandi						
Residential	–	–	–	8	300	26,700
Chongqing Tiandi²						
Residential	3,811	165,500	25,100	–	–	–
Retail/Office (Loft)	111	12,300	12,300	46	4,500	11,100
SUBTOTAL	34,309	494,500	76,100	2,568	55,000	51,000
Carparks²	397	–	–	50	–	–
GRAND TOTAL	34,706	494,500	77,000	2,618	55,000	52,000
Recognised as:						
– property sales in revenue of the Group	4,662			2,449		
– revenue of associates	20,815			84		
– revenue of joint ventures	9,229			85		
GRAND TOTAL	34,706			2,618		

Notes:

- The calculation of ASP per sq.m. is based on gross sales revenue before deducting applicable taxes.
- ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Residential of RMB3,811 million, office and retail space of RMB111 million, and carparks sales of RMB60 million were contributed by the Chongqing Tiandi partnership portfolio and were recognised as revenue of associates in 1H 2023. The Group holds a 19.8% interest in the partnership portfolio.

Contracted Property Sales, Subscribed Sales, and Locked-in Sales

The Group's contracted property sales decreased by 76% to RMB4,564 million in 1H 2023, compared to RMB18,715 million in 1H 2022, with residential property sales accounting for 92% and the remainder contributed by the sale of commercial units. The decrease was mainly due to the scheduling of sales launch, as we have planned for more launches in 2H 2023, depending on a market recovery and subject to construction progress of developments and government pre-sale approval timings. The ASP for residential property sales was RMB53,900 per sq.m. in 1H 2023, compared to RMB105,700 per sq.m. in 1H 2022, as a higher proportion of contracted property sales was generated from lower ASP projects outside of Shanghai during this period.

As of 30 June 2023:

- i) total subscribed sales were RMB606 million, with RMB236 million contributed by Wuhan Tiandi La Riva III (Lot B12). The above-mentioned are subject to formal sales and purchase agreements in the coming months.
- ii) total locked-in sales of RMB7.43 billion were recorded and available for delivery to customers and to be recognised in the Group's financial results in 2H 2023 and beyond.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 1H 2023 and 1H 2022:

Project	1H 2023			1H 2022		
	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 (Lot 118)	115	700	164,300	448	2,700	165,900
Shanghai RHXC (Lot 7) ¹	6 ³	–	–	7,688	66,800	115,100
Shanghai RHXC (Lot 167A) ²	(16) ³	–	–	9,649	80,600	119,700
Shanghai Panlong Tiandi	205	2,800	73,200	79	1,300	60,800
Wuhan Tiandi	2,900	46,400	62,400	–	–	–
Wuhan Optics Valley Innovation Tiandi	225	9,500	23,700	150	6,500	23,100
Foshan Lingnan Tiandi	–	–	–	2	100	20,000
Chongqing Tiandi ⁴	375	18,400	24,900	484	17,800	33,200
Carparks	386	–	–	77	–	–
SUBTOTAL	4,196	77,800	53,900	18,577	175,800	105,700
Commercial property sales:						
Shanghai RHXC	–	–	–	8	100	80,000
Wuhan Tiandi	38	800	47,500	–	–	–
Chongqing Tiandi						
Retail	70	6,800	10,300	68	4,200	16,200
Office	260	21,500	12,100	62	5,200	11,900
SUBTOTAL	368	29,100	12,600	138	9,500	14,500
GRAND TOTAL	4,564	106,900	42,700	18,715	185,300	101,000

Notes:

1 The Group holds 49.5% of the property.

2 The Group holds 49% of the property.

3 Represents the difference between the planned pre-sale GFA and the actual GFA.

4 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 holds a 19.8% interest in the partnership portfolio.

Residential GFA Available for Sale and Pre-sale in 2H 2023

The Group has approximately 211,900 sq.m. of residential GFA spanning six projects available for sale and pre-sale in 2H 2023, which are summarised below:

Project	Product	Available for sale and pre-sale in 2H 2023		
		GFA in sq.m.	Group's interests	Attributable GFA in sq.m.
Shanghai Taipingqiao Lot 118	High-rises	2,300	99%	2,300
Shanghai Panlong Tiandi	High-rises	600	80%	500
Wuhan Tiandi	High-rises	17,600	100%	17,600
Wuhan Optics Valley Innovation Tiandi	High-rises	64,500	50%	32,300
Wuhan Changjiang Tiandi	High-rises	124,300	50%	62,200
Chongqing Tiandi	High-rises	2,600	19.80%	500
TOTAL		211,900		115,400

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

PROPERTY DEVELOPMENT

Residential Development Saleable Resources as of 30 June 2023

Project	Approximate Saleable Residential GFA	Estimated Gross Saleable Resource	The Group's interests	Estimated Attributable Sales
	sq.m.	RMB' billion		RMB' billion
Shanghai Taipingqiao Lot 118	2,300	0.4	99%	0.4
Shanghai Taipingqiao Lot 122	80,600	19.2	50%	9.6
Shanghai Panlong Tiandi	600	0.05	80%	0.04
Shanghai Yangpu Binjiang ²	22,000	4.5	60%	2.7
SHANGHAI SUB-TOTAL	105,500	24.2		12.7
Wuhan Changjiang Tiandi ²	753,900	40.1	50%	20.0
Wuhan Tiandi	59,300	3.5	100%	3.5
Wuhan Optics Valley Innovation Tiandi	161,900	4.1	50%	2.0
Chongqing Tiandi	2,600	0.1	19.80%	–
OTHER CITIES SUB-TOTAL	977,700	47.8		25.5
GRAND TOTAL	1,083,200	72.0		38.2

Notes:

- 1 This table represents saleable resources not yet recorded as contracted sales as of 30 June 2023.
- 2 Figures are preliminary estimates subject to further revision of the project plan.

Residential Properties under Development

Shanghai Taipingqiao – Lot 122 was acquired in June 2021 with a total GFA of 87,000 sq.m. for residential use and a GFA of 18,000 sq.m. for retail shops. The construction work commenced in March 2023 and is planned for sale in Q4 2024.

Shanghai RHXC – Ocean One (Lot 7) has a total GFA of 161,000 sq.m. for residential and 2,000 sq.m. for retail shops. As of 30 June 2023, most of the residential units have been handed over to buyers, with a total amount of RMB16.8 billion recognised as revenue of associates in 1H 2023. Park Vera (Lot 167A), with a total GFA of 86,000 sq.m. for residential, was launched in June 2022. As of 30 June 2023, 595 units have been handed over, with a total amount of RMB9.2 billion recognised as joint venture revenue in 1H 2023.

Shanghai Panlong Tiandi – Jingyuan (Lot 11) and Zhenyuan (Lot A05-04 & Lot A03-02), with a total GFA of 76,000 sq.m. (including underground GFA of 5,000 sq.m.), were launched in July 2022. As of 30 June 2023, a total GFA of 55,000 sq.m. of Lot 11 has been handed over with recognised sales of RMB3.4 billion in 1H 2023.

Shanghai Yangpu Binjiang – The site was acquired in December 2022 with a total GFA of 22,000 sq.m. for residential use. It is a heritage preservation and development project that involves the development of a high-end low-density residential community comprising 90 units with unit sizes ranging from 170 – 400 sq.m. Pre-sale for this project is targeted to start around the middle of 2024. The Group holds a 60% interest in the development.

Wuhan Tiandi – La Riva III (Lot B12) with a total GFA of 71,000 sq.m. for residential and 1,000 sq.m. for retail shops. The Group launched 120 units in May 2023. The pre-sale price achieved the highest ever in Wuhan.

Wuhan Optics Valley Innovation Tiandi – The site was acquired in 2017. The construction for Lots R7 and R8, which have a total saleable GFA of 73,000 sq.m., commenced in November 2021 and was on sale in 2023.

Wuhan Changjiang Tiandi – The site was acquired in December 2021 with an estimated saleable GFA of 753,900 sq.m. for residential use. Development work for Phase I commenced in October 2022, and pre-sale is targeted to start in the second half of 2023. The Group holds a 50% interest in the development.

Chongqing Tiandi – Glory Mansion Phase II, with a total GFA of 95,000 sq.m., comprises a GFA of 33,000 sq.m. completed in 2022, of which 28,000 sq.m. was sold, and the remaining GFA of 62,000 sq.m. under construction. Glorious River (Lots B5 & B10) with a total GFA of 173,000 sq.m. A total GFA of 166,000 sq.m. was completed and sold in 1H 2023, and the remaining GFA of 7,000 sq.m. was under construction. Quiet Mansion (Lot B24-6) with a total GFA of 71,000 sq.m. was under construction. The Group holds a 19.8% interest in the partnership portfolio.

Commercial Properties under development and for future development as of 30 June 2023

Project	Office GFA sq.m.	Retail GFA sq.m.	Total GFA sq.m.	The Group's interests	Attributable GFA sq.m.
CPIC Xintiandi Commercial Center (Lot 123,124) ¹	162,000	84,000	246,000	25.00%	61,500
Shanghai Taipingqiao Lot 122	–	18,000	18,000	50.00%	9,000
Shanghai RHXC Lot 167B	107,000	12,000	119,000	49.00%	58,300
Shanghai HONG SHOU FANG ²	48,000	14,000	62,000	100.00%	62,000
SHANGHAI SUB-TOTAL	317,000	128,000	445,000		190,800
Wuhan Tiandi	70,000	4,000	74,000	100.00%	74,000
Wuhan Optics Valley Innovation Tiandi	362,000	339,000	701,000	50.00%	350,500
Wuhan Changjiang Tiandi	56,000	232,000 + 30,000 ³	318,000	50.00%	159,000
Foshan Lingnan Tiandi	450,000	108,000 + 80,000 ³	638,000	100.00%	638,000
Chongqing Tiandi	328,000	170,000 + 25,000 ³	523,000	19.80%	103,600
OTHER CITIES SUB-TOTAL	1,266,000	988,000	2,254,000		1,325,100
GRAND TOTAL	1,583,000	1,116,000	2,699,000		1,515,900

Notes:

- The constructions of the office towers and the shopping mall are planned for completion in 2024 in phases.
- Construction work commenced in the second half of 2020 and was completed in July 2023.
- Hotel use.

INVESTMENT PROPERTIES

A Leading Player in Commercial Real Estate

Project	Office GFA sq.m.	Retail GFA sq.m.	Total GFA sq.m.	Attributable GFA sq.m.	Asset Value as of 30 June 2023 RMB'-billion	% of ownership
COMPLETED PROPERTIES						
Shanghai Taipingqiao Community						
Shanghai Xintiandi, Xintiandi Style II, Xintiandi Plaza, Shui On Plaza	36,000	104,000	140,000	127,800	12.93	100%/99%/80%/80%
5 Corporate Avenue, Hubindao	52,000	27,000	79,000	35,200	6.72	44.55%
CPIC Xintiandi Commercial Center (Lot 132)	31,000	–	31,000	7,800	2.62	25%
THE HUB	90,000	173,000	263,000	263,000	8.90	100%
Ruihong Tiandi Community						
Hall of the Moon, Hall of the Stars, The Palette	–	111,000	111,000	55,000	3.96	49.5%
Hall of the Sun, Ruihong Corporate Avenue	145,000	185,000	330,000	163,400	11.79	49.5%
Shanghai KIC	186,000	67,000	253,000	117,300	8.55	44.27%/50.49%
INNO KIC	41,000	4,000	45,000	45,000	1.47	100%
Shanghai Panlong Tiandi	–	41,000	41,000	32,800	1.17	80%
Nanjing IFC	72,000	28,000	100,000	50,000	3.05	50%
Wuhan Tiandi Community	165,000	239,000	404,000	404,000	9.27	100%
Foshan Lingnan Tiandi Community	16,000	143,000	159,000	159,000	4.42	100%
Chongqing Tiandi Community	–	131,000	131,000	130,000	1.53	99%
SUBTOTAL	834,000	1,253,000	2,087,000	1,590,300	76.38	
LAND & PROPERTIES UNDER DEVELOPMENT						
Shanghai Taipingqiao Community						
CPIC Xintiandi Commercial Center (Lot 123,124)	162,000	84,000	246,000	61,500	17.21	25%
Shanghai RHXC						
Ruihong Tiandi Lot 167B	107,000	12,000	119,000	58,300	5.30	49%
Shanghai HONG SHOU FANG						
	48,000	14,000	62,000	62,000	2.58	100%
Foshan Lingnan Tiandi Community						
Foshan Lot A	190,000	64,000	254,000	254,000	1.87	100%
Foshan Lot G	–	1,000	1,000	1,000	0.03	100%
SUBTOTAL	507,000	175,000	682,000	436,800	26.99	
GRAND TOTAL	1,341,000	1,428,000	2,769,000	2,027,100	103.37	



Valuation of Investment Properties

As of 30 June 2023, the carrying value of the Group's investment properties at valuation (excluding hotels for operation and self-use properties) was RMB97,208 million with a total GFA of 2,641,700 sq.m.. The properties located in Shanghai, Wuhan, Foshan, Nanjing, and Chongqing, respectively, contributed 79%, 10%, 6%, 3%, and 2%, respectively, of the carrying value.

The table below summarises the carrying value of the Group's investment properties at valuation as of 30 June 2023, together with the change in fair value for 1H 2023:

Project	Leasable GFA sq.m.	Increase/ (decrease) in fair value for 1H 2023 RMB'million	Carrying value as of 30 June 2023 RMB'million	Fair Value gain/(loss) to carrying value %	Attributable carrying value to the Group RMB'million
SXTD PORTFOLIO²					
Completed investment properties					
Shanghai Taipingqiao Community					
Shanghai Xintiandi and Xintiandi Style II	80,000	81	8,209	1.0%	8,189
Shui On Plaza and Xintiandi Plaza	52,200	(26)	4,071	(0.6%)	3,298
5 Corporate Avenue, Hubindao (associate)	79,000	–	6,720	–	2,994
THE HUB	263,000	(23)	8,900	(0.3%)	8,900
Shanghai KIC	252,000	(20)	8,471	(0.2%)	3,916
INNO KIC	45,000	5	1,473	0.3%	1,473
Wuhan Tiandi Community	239,000	(24)	6,592	(0.4%)	6,592
Foshan Lingnan Tiandi Community	142,000	13	4,188	0.3%	4,188
Chongqing Tiandi Community	128,000	12	1,516	0.8%	1,501
Nanjing IFC (joint venture)	100,000	18	3,050	0.6%	1,525
SUBTOTAL	1,380,200	36	53,190	0.1%	42,576
Investment property – sublease of right-of-use assets					
Nanjing INNO	17,000	(5)	79	(6.3%)	79
SXTD PORTFOLIO TOTAL	1,397,200	31	53,269	0.1%	42,655
OTHER INVESTMENT PROPERTIES					
Shanghai RHXC	500	–	8	–	8
Shanghai Panlong Tiandi	41,000	–	1,166	–	933
1 Corporate Avenue, Wuhan	165,000	–	2,682	–	2,682
Chongqing Street shops	3,000	(10)	18	(55.6%)	18
Shanghai HONG SHOU FANG	62,000	(70)	2,583	(2.7%)	2,583
Foshan Lingnan Tiandi Community					
Foshan Lot A	254,000	(31)	1,869	(1.7%)	1,869
Foshan Lot G	1,000	10	31	32.3%	31
Ruihong Tiandi Community (joint venture)	441,000	–	15,749	–	7,796
CPIC Xintiandi Commercial Center (joint venture)	277,000	(160)	19,833	(0.8%)	4,958
OTHER INVESTMENT PROPERTIES TOTAL	1,244,500	(261)	43,939	(0.6%)	20,878
GRAND TOTAL	2,641,700¹	(230)	97,208	(0.2%)	63,533
Grand Total (excluding associates and joint venture)	1,744,700¹	(88)	51,856	(0.2%)	46,260

Notes:

- Self-use properties (total GFA 26,000 sq.m.) are classified as property and equipment in the interim condensed consolidated statement of financial position, and the respective leasable GFA is excluded from this table. Carpark and other facilities spaces are also not included in this table.
- The completed investment properties will be transferred to SXTD upon completion of the restructuring.

Shui On Xintiandi (“SXTD”): the Group’s flagship commercial business unit

SXTD is the Group’s property investment and management arm. It is comprised of three major business segments:

- i) Property investment, comprising investment, ownership, and operation of commercial properties and provision of other rental-related services;
- ii) Property management, comprising commercial and residential property management services; and
- iii) Real estate asset management, comprising commercial asset management services.

Selected financial information¹

RMB'million	1H 2023	1H 2022	Year-on-Year Growth/(Decline)
Revenue	1,451	1,421	2%
Comprised of:			
– Property investment ²	1,095	1,085	1%
– Property management	266	252	6%
– Real estate asset management	86	78	10%
– Others	4	6	(33%)
Gross profit	1,068	1,057	1%
Operating profit	807	801	1%
Underlying profit ³	350	399	(12%)
	30 June 2023	31 December 2022	Changes
Net assets	34,436	34,026	1%
Net gearing ratio	17.3%	11.5%	5.8ppt

Notes:

1 Figures are unaudited and prepared on a pro-forma basis.

2 The difference between revenue from the property investment of SXTD and the consolidated rental and related income of the Group was mainly due to the income from Panlong Tiandi in Shanghai, 1 Corporate Avenue in Wuhan, and the temp shop in Foshan Lingnan Tiandi.

3 Underlying profit is a non-IFRS financial measure and represents the net profit attributable to shareholders that excludes fair value changes and the effect of foreign exchange.

Property Investment

As of 30 June 2023, SXTD owns and manages 11 completed investment properties and two joint venture projects, namely 5 Corporate Avenue, Hubindao in Shanghai and Nanjing IFC, respectively.

Property investment contributed approximately 75% of SXTD’s revenue in 1H 2023. Our retail and office investment properties accounted for 61% and 39% of rental income from property investment (including 5 Corporate Avenue, Hubindao and Nanjing IFC), respectively.

The retail portfolio occupancy averaged 91% as of 30 June 2023, and rental reversion remained positive. Following the relaxation of pandemic-related restrictions, sales and shopper traffic in our portfolio for the first half of 2023 have recovered to 109% and 120% of the levels seen in the same period in 2021, respectively.

Despite the pressure from the economic slowdown and the oversupply of offices in Shanghai, our office portfolio saw a relatively stable performance, which bears testimony to our service quality and the prime locations of our properties. The occupancy rate across the portfolio maintained an average of 88% as of 30 June 2023, and rental reversion remained positive. In particular, the occupancy rate of our office properties in Shanghai achieved an average of 92%.

Performance of Investment Properties

The table below provides an analysis of the rental and related income and occupancy rate of the investment properties of the Group:

Project	Product	Leasable GFA sq.m.	Rental & related income ⁶ RMB'million		Changes %	Occupancy rate		Changes ppt
			1H 2023	1H 2022		30 Jun 2023	31 Dec 2022	
SXTD Portfolio								
Shanghai Taipingqiao Community								
Shanghai Xintiandi	Office/ Retail	54,000	211	208	1%	94%	91%	3
Xintiandi Style II	Retail	26,000 ¹	35	10	250%	87% ²	60%	27
Shui On Plaza & Xintiandi Plaza	Office/ Retail	56,000	84	85	(1%)	91%	93%	(2)
The Hub	Office/ Retail	263,000	205	206	(0.5%)	91%	88%	3
Shanghai KIC	Office/ Retail	252,000	225	236	(5%)	91%	90%	1
INNO KIC	Office/ Retail	45,000	32	30	7%	94%	91%	3
Wuhan Tiandi Community	Retail	239,000	173	178	(3%)	88%	90%	(2)
Foshan Lingnan Tiandi Community	Office/ Retail	143,000	97	97	–	93%	90%	3
Chongqing Tiandi Community	Retail	128,000	33	35	(6%)	96%	96%	–
TOTAL RENTAL AND RELATED INCOME⁷		1,206,000	1,095⁷	1,085⁷	1%			
Shanghai Taipingqiao Community								
5 Corporate Avenue, Hubindao ³ (classified as associate income)	Office/ Retail	79,000	118	124	(5%)	89%	92%	(3)
Nanjing IFC ⁴ (classified as joint venture income)	Office/ Retail	100,000	63	59	7%	74%	73%	1
SXTD PORTFOLIO TOTAL		1,385,000⁵	1,276	1,268	1%			
Investment Properties under SXTD Management								
Ruihong Tiandi Community								
Hall of the Moon, Hall of the Stars, The Palette, Hall of the Sun	Retail	296,000	167	179	(7%)	84%	85%	(1)
Ruihong Corporate Avenue	Office	145,000	36	23	57%	30%	19%	11
1 Corporate Avenue, Wuhan	Office	165,000	15	4	275%	22%	12%	10
Panlong Tiandi	Retail	41,000	21	–	–	61%	–	–
GRAND TOTAL		2,032,000	1,515	1,474	3%			

Notes:

- 1 A total leasable GFA of 19,000 sq.m. asset enhancement initiative ("AEI") was completed in December 2022 and was re-opened in January 2023.
- 2 Increase in occupancy rate in 1H 2023 was due to the re-opening of Xintiandi Style II.
- 3 The Group holds a 44.55% effective interest in the property. Rental and related income attributable to SXTD were RMB53 million in 1H 2023 and RMB55 million in 1H 2022.
- 4 The Group holds a 50% effective interest in the property. Rental and related income attributable to SXTD were RMB31 million in 1H 2023 and RMB30 million in 1H 2022.
- 5 A total GFA of 6,000 sq.m. located at Shanghai Shui On Plaza, Shanghai KIC, and Foshan Lingnan Tiandi were occupied by SXTD and were excluded from the above table.
- 6 Excluding property management income from commercial properties which is included in the Property Management segment.
- 7 The difference between revenue from the property investment of SXTD and the consolidated rental and related income of the Group was mainly due to the income from Panlong Tiandi in Shanghai, 1 Corporate Avenue in Wuhan, and the temp shop in Foshan Lingnan Tiandi.

Rental and related income increased by 1% to RMB1,095 million in 1H 2023 compared to RMB1,085 million in 1H 2022. The increase was driven by additional rental contributions from Xintiandi Style II after its re-opening.

Including the properties of 5 Corporate Avenue, Hubindao, and Nanjing IFC, the total rental and related income increased by 1% year-on-year to RMB1,276 million in 1H 2023, of which 71% of the rental and related income was contributed by the portfolio located in Shanghai, with the remaining from other cities in China.

Other investment properties under SXTD management are commercial properties that were managed by SXTD after their completion.

Retail Tenant Mix

As of 30 June 2023

	By occupied GFA
Food & beverage	30.5%
Fashion & beauty	23.9%
Entertainment	16.4%
Services	13.3%
Children & family	8.8%
Supermarkets & hypermarkets	3.1%
Showroom	2.5%
Hotel & service apartment	1.5%
TOTAL	100.0%

Office Tenant Mix

As of 30 June 2023

	By occupied GFA
High-tech & TMT	22.6%
Biological, pharmaceutical & medical	11.8%
Professional services	10.8%
Banking, insurance & financial services	9.4%
Services	8.3%
Automation & manufacturing	6.9%
Consumer products & trading	6.7%
Education, culture & innovation	6.2%
Real estate & construction	4.5%
Others	12.8%
TOTAL	100.0%

Property Management

We provide premium property management services for commercial properties within the Group's portfolio and selective commercial and residential properties owned by third parties. In 1H 2023, the total GFA under management for commercial and residential properties were 4.2 million sq.m. and 4.9 million sq.m. respectively. Property management contributed approximately 18% of SXTD's revenue in 1H 2023.

Real Estate Asset Management

We provide real estate asset management services for commercial projects. The real estate asset management services include but are not limited to feasibility studies, tenancy positioning, leasing, marketing, and branding, as well as account and finance management. After completion, 1 Corporate Avenue in Wuhan and Shanghai Panlong Tiandi were added to our asset management portfolio. As of 30 June 2023, our asset management projects include 5 Corporate Avenue and Hubindao, Nanjing IFC, commercial properties in the Ruihong Tiandi Community, 1 & 2 Corporate Avenue in Wuhan, Shanghai Panlong Tiandi and Nanjing INNO. The total valuation of the projects we managed has increased

from RMB26.5 billion as of 30 June 2022 to RMB30.3 billion this period, with a total GFA of 886,000 sq.m. as of 30 June 2023. The business segment contributed approximately 6% of SXTD's revenue in 1H 2023.

Our Projects and Latest Updates

SXTD Portfolio

Shanghai Taipingqiao Community:

Shanghai Taipingqiao Community is a large-scale, flagship community project which is situated in the heart of Shanghai and was developed to preserve the region's historical architecture while transforming the area to meet urban development needs. Located in Huangpu District, the project is connected by Shanghai Metro Lines 1, 8, 10, and 14, fronting the popular Huai Hai Middle Road business district. The Group began the multi-phase development of Taipingqiao in 1996, which comprises various commercial, office, and residential plots. The Shanghai Taipingqiao Community comprises various commercial and office properties, including Shanghai Xintiandi, Xintiandi Style II, Shui On Plaza, Xintiandi Plaza, 5 Corporate Avenue, and Hubindao. Our flagship project, Shanghai Xintiandi, is at the heart of the Shanghai Taipingqiao Community. Featuring the preservation of cultural heritage, Shanghai Xintiandi has been successfully established as an iconic landmark that offers a combined experience of old Shanghai culture and modern lifestyles and has made the community a premier lifestyle destination for citizens and visitors in Shanghai. Not only does Shanghai Xintiandi continue to attract consumers and new tenants from across the world, but it also serves as a popular venue for hosting international festivals and local events, such as Shanghai Fashion Week and XINTIANDI Performing Art Festival.

Xintiandi Style II's AEI was completed, and it was soft-opened in January 2023 with a brand-new concept and positioning to cater to the lifestyle-focused preferences of the growing young premium clientele. Occupancy of the property reached 87% as of 30 June 2023.

THE HUB:

Located at the heart of the Hongqiao CBD, The Hub is the only commercial complex that is directly connected to the Hongqiao Transportation Hub, offering convenient access to major transportation nodes such as the Shanghai High-Speed Rail Terminal, the Shanghai Hongqiao International Airport, five underground Metro lines, long-haul bus station, and the future maglev terminal. The Hub features four office towers, a Xintiandi commercial zone, a shopping facility, and a performance and exhibition centre. At its strategic location in Hongqiao CBD, the gateway to the Yangtze River Delta region, The Hub has attracted regional headquarters and branch offices of leading companies from various industries, including Fortune 500 companies.



Shanghai KIC:

Shanghai KIC is a mixed-use technology innovation and knowledge community strategically located in Wujiaochang of Yangpu District, in the immediate vicinity of major universities and colleges, including Fudan University, Shanghai University of Finance and Economics, and Tongji University. The project combines office space with research and development, education, training, investment, and incubator services, to tailor to the needs of tenants in knowledge-based industries. In addition to office space and services, KIC includes retail and mixed-use areas, including University Avenue and KIC Village Zone, which offer the community a wide selection of gourmet cuisines, coffee shops, bookstores, galleries, and creative retail stores. Through the KIC project, we have facilitated the transformation of the Yangpu District from an industrial and manufacturing area into a community for knowledge and innovation. The KIC project has thus been regarded as a landmark of innovation and entrepreneurship in Shanghai.

INNO KIC:

Located adjacent to Shanghai KIC in the Xinjiangwan CBD of Yangpu District, INNO KIC is one of the first projects created by SHUI ON WORKX, our multiform office solution aiming to provide a complete life-cycle workspace solution for start-ups as well as small-to-medium and large enterprises. The complex introduces a new business social platform that integrates work, entrepreneurship, learning, and leisure, with the aim of delivering flexible business solutions and providing a diversified working ecosystem that promotes the growth and development of enterprises.

Wuhan Tiandi Community:

Wuhan Tiandi Community is a large-scale, mixed-use community project comprising retail, food and beverage, and entertainment facilities. It sits in the city centre of Hankou District, occupying a prime location on the Yangtze River waterfront, providing unparalleled views of the Yangtze River and the scenic Jiangtan Park.

After the successful repositioning, we have optimised its tenant mix and food & beverage offerings, introducing new tenants focusing on young premium customers such as Knowin and Harmay. It has become a retail and social destination in Wuhan that offers lifestyle experiences to a young premium clientele.

Foshan Lingnan Tiandi Community:

Foshan Lingnan Tiandi Community is a large-scale, integrated urban regeneration community comprising retail, office, hotel, cultural facilities, and residential complexes. Strategically located in the old town centre of central Chancheng District, the project enjoys good connectivity with two subway stations of the Guangzhou-Foshan metro line. The project preserves traditional Lingnan-style architecture while blending cosmopolitan elements and modern facilities into a lifestyle destination, offering the city's residents and tourists a wide section of terrace restaurants and retail options.

Chongqing Tiandi Community:

Chongqing Tiandi Community is situated on the south bank of the Jialing River in the Yuzhong District of Chongqing, one of the most populous cities in the world and the leading industrial and commercial hub of southwest China. It has a unique landscape and creates a commercial and residential community around a man-made lake and the surrounding hillsides.

The project has recorded strong rental growth and reached 96% occupancy after repositioning to target young premium clientele and offers a wide range of retail, food, and beverages as well as entertainment facilities to the office tenants and residents in the neighbourhood.

Nanjing IFC:

We acquired a mixed-use Grade-A landmark property in Nanjing with Grosvenor on a 50/50 basis in February 2021. Nanjing IFC is predominantly an office building occupied by a diverse mix of high-quality tenants, including MetLife, AIA, and KFC. The property has completed an AEI that will increase its growth potential.

Investment Properties under SXTD Management

Shanghai Rui Hong Tiandi Community:

Rui Hong Xing Cheng ("RHXC") is a mixed-use, large-scale masterplan community project covering retail, office, entertainment, cultural and residential space. The property is located in the Hongkou district in Shanghai, in close proximity to several leading universities and the central business district. It enjoys excellent connectivity to Lujiazui CBD and Pudong commercial district via four metro lines (Metro Lines 4, 8, 10, and 12) and two tunnels, Xinjian Road Tunnel and Dalian Road Tunnel. The Rui Hong Xin Cheng Community comprises various commercial and office properties, including the Hall of the Moon, the Hall of the Stars, The Palette, the Hall of the Sun, and Ruihong Corporate Avenue. RHXC is being revitalised to become a fashionable urban living destination.

Wuhan 1 Corporate Avenue:

1 Corporate Avenue is a high-rise office tower in the Wuhan Tiandi Community. This Grade-A office building spans 73 stories and was completed in September 2021. The first batch of tenants began occupying the offices in 2022.

Shanghai Panlong Tiandi:

Panlong Tiandi comprises residential sites, culture and recreation areas, restaurant and hotel development, as well as greeneries and open space for the public. The project is located in Shanghai's Qingpu District, which is part of the Hongqiao CBD. It is next to Panlong Station of Shanghai Metro Line 17 and is just two train stops or 3 km away from the Hongqiao Transportation Hub. The Panlong Tiandi project won the Gold Award for Best Future Mega Project in 2020 by MIPIM Asia Awards. The retail facilities were opened at the end of April 2023, and it has become a new cultural landmark for the Yangtze River Delta area. We have observed very strong foot traffic after its opening.

LANDBANK



As of 30 June 2023, the Group's landbank was 8.7 million sq.m. (comprising 6.3 million sq.m. of leasable and saleable area and 2.4 million sq.m. for clubhouses, car parking spaces, and other facilities) spanning fourteen development projects located in the prime areas of five major PRC cities, namely: Shanghai, Nanjing, Wuhan, Foshan, and Chongqing. The leasable and saleable GFA attributable to the Group was 3.9 million sq.m. Of the total leasable and saleable GFA of 6.3 million sq.m., approximately 2.3 million sq.m. was completed and held for sale and/or investment. Approximately 1.7 million sq.m. was under development, and the remaining 2.3 million sq.m. was held for future development.

The Group's total landbank as of 30 June 2023, including that of its joint ventures and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA				Subtotal	Clubhouse, carpark, and other facilities	Total	Group's interests	Attributable leasable and saleable GFA
	Residential	Office	Retail	Hotel/ serviced apartments					
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
Completed properties:									
Shanghai Taipingqiao	2,000	119,000	131,000	–	252,000	101,000	353,000	99.00% ¹	173,000
Shanghai RHXC	2,000	145,000	300,000	–	447,000	320,000	767,000	99.00% ²	221,000
Shanghai KIC	–	164,000	67,000	22,000	253,000	142,000	395,000	44.27% ³	117,000
The Hub	–	90,000	173,000	–	263,000	72,000	335,000	100.00%	263,000
Shanghai Panlong Tiandi	21,000	–	41,000	5,000	67,000	95,000	162,000	80.00%	54,000
INNO KIC	–	41,000	4,000	–	45,000	18,000	63,000	100.00%	45,000
Wuhan Tiandi	–	165,000	239,000	–	404,000	280,000	684,000	100.00%	404,000
Wuhan Optics Valley Innovation Tiandi	–	117,000	18,000	–	135,000	155,000	290,000	50.00%	68,000
Foshan Lingnan Tiandi	–	16,000	156,000	43,000	215,000	112,000	327,000	100.00%	215,000
Chongqing Tiandi	–	4,000	131,000	–	135,000	392,000	527,000	99.00% ⁴	130,000
Nanjing IFC	–	72,000	28,000	–	100,000	18,000	118,000	50.00%	50,000
SUBTOTAL	25,000	933,000	1,288,000	70,000	2,316,000	1,705,000	4,021,000		1,740,000
Properties under development:									
Shanghai Taipingqiao	87,000	162,000	102,000	–	351,000	159,000	510,000	25.00% ⁵	114,000
Shanghai RHXC	–	107,000	12,000	–	119,000	38,000	157,000	49.00% ⁶	58,000
Shanghai HONG SHOU FANG	–	48,000	14,000	–	62,000	21,000	83,000	100.00%	62,000
Shanghai Yangpu Binjiang	22,000	–	–	–	22,000	–	22,000	60.00%	13,000
Wuhan Tiandi	71,000	–	1,000	–	72,000	37,000	109,000	100.00%	72,000
Wuhan Optics Valley Innovation Tiandi	73,000	181,000	52,000	–	306,000	201,000	507,000	50.00%	153,000
Wuhan Changjiang Tiandi	224,000	–	7,000	–	231,000	62,000	293,000	50.00%	116,000
Foshan Lingnan Tiandi	–	–	1,000	–	1,000	–	1,000	100.00%	1,000
Chongqing Tiandi	71,000	328,000	105,000	25,000	529,000	169,000	698,000	19.80%	105,000
SUBTOTAL	548,000	826,000	294,000	25,000	1,693,000	687,000	2,380,000		694,000
Properties for future development:									
Wuhan Tiandi	39,000	70,000	3,000	–	112,000	–	112,000	100.00%	112,000
Wuhan Optics Valley Innovation Tiandi	97,000	181,000	287,000	–	565,000	–	565,000	50.00%	283,000
Wuhan Changjiang Tiandi	563,000	56,000	225,000	30,000	874,000	42,000	916,000	50.00%	437,000
Foshan Lingnan Tiandi	28,000	450,000	107,000	80,000	665,000	–	665,000	100.00%	665,000
Chongqing Tiandi	–	–	65,000	–	65,000	–	65,000	19.80%	13,000
SUBTOTAL	727,000	757,000	687,000	110,000	2,281,000	42,000	2,323,000		1,510,000
TOTAL LANDBANK GFA	1,300,000	2,516,000	2,269,000	205,000	6,290,000	2,434,000	8,724,000		3,944,000

Notes:

- The Group has 99.00% interests in all the remaining lots, except for Shanghai Xintiandi, Shui On Plaza including Xintiandi Plaza, 15th floor in Shui On Plaza, 5 CA, Lot 132, and Lot 116, in which the Group has effective interests of 100.00%, 80.00%, 100.00%, 44.55%, 25.00%, and 98.00%, respectively.
- The Group has 99.00% effective interests in all the remaining lots, except for The Palette, Hall of the Stars, Hall of the Moon, Parkview, Ocean One, Hall of the Sun, and Ruihong Corporate Avenue, in which the Group has effective interests of 49.50%, and Park Vera, in which the Group has effective interests of 49.00%.
- The Group has 44.27% effective interests in all the remaining lots, except for Shanghai KIC Lot 311, in which the Group has effective interests of 50.49%.
- The Group has 99.00% effective interests in all the remaining lots, except for Lot B5, Lot B10, Lot B15, Lot B14, and Lot B13 Phase I&II, in which the Group has effective interests of 19.80%.
- The Group has a 25.00% interest in Lots 123, and 124 for office and retail uses and a 50.00% interest in Lot 122.
- The Group has a 49.00% interest in Lot 167.

MARKET OUTLOOK



Global economic growth moderated in the first half of 2023, amid mounting headwinds from sequential US interest rate hikes to curtail inflation, with tight liquidity and high borrowing costs creating unfavorable conditions for debt refinancing. At the same time, supply bottlenecks, as well as concerns relating to energy shocks, are waning, while inflation in the US and EU fell to 3.0% and 5.5%, respectively, by June 2023. The International Monetary Fund envisions a soft landing for advanced economies, with growth slowing from 2.7% in 2022 to 1.5% in 2023. The pace of global economic growth is projected to fall from 3.5% in 2022 to 3% in both 2023 and 2024.

China recorded 5.5% in GDP growth for 1H 2023 following the removal of COVID-19 restrictions. The recovery in the year-to-date was mainly fueled by the revival of domestic consumption, which accounted for 77.2% of total GDP growth. Fixed asset investment and retail sales recorded respective growth of 3.8% and 8.2% in the first half of the year, while export and foreign direct investment contracted 3.2% and 2.7%, respectively, due to sluggish external demand and weak investor confidence. The residential property market remained stagnated following an uptick in the first quarter. While housing sales revenue increased by 3.7% in 1H 2023, sales areas saw a decline of 2.8%. To mitigate the downturn, the People's Bank of China cut the one-year and five-year Loan Prime Rates (LPR) by 10 basis points in June 2023, with the purpose of invigorating residential sales and boosting market confidence.

Despite the government's pledge to enhance funding support for the real estate sector, access to financing for beleaguered property developers remained bleak. Twenty-three of the top 50 China real estate developers had so far defaulted or missed payment deadlines, causing panic in the financial markets. This prompted the government to ease home purchase restrictions, guide reductions in mortgage rates and down-payment ratios, to improve market expectations, and create a sound environment to support the stable and healthy development of the property market. However, the pace of asset disposals and debt restructuring by these cash-strapped developers has been slow, and risks of a market contagion effect remain elevated. In response, the Politburo has decided to implement a spectrum of countercyclical policies to stabilize the property market.

The Shanghai office market was undermined by a slowdown in corporate profit growth amid a soft economy, with demand for Grade A office space slowing markedly. Although there was an increase in leasing enquiries from tenants at the start of 2023, many companies have decided to postpone expansion plans in Q2, opting to freeze or trim headcounts to control their operational costs. In Shanghai, the net absorption for Grade A office in 1H 2023 was 219,000 square meters, down 31.6% from the same period last year, according to data published by Jones Lang LaSalle (JLL). Against the backdrop of abundant new supply, the vacancy rate in the Central Business District (CBD) rose by 1.1% to 11.9%, with rents registering a decline of 3.3%. The near-term outlook remains unfavorable given ample supply coming on stream in the second half year.

During 1H 2023, Shanghai's retail sales increased by 6.8%, and the catering sector registered a notable 21.4% gain in sales revenue. In the commercial retail sector, consumer traffic to shopping malls has normalized following the exit of the country's Zero-COVID policy. However, many retailers have adopted a wait-and-see attitude for store expansion despite a surge in pent-up consumption, which is largely due to weak consumer sentiment. According to JLL, retail rents in Shanghai continued to trend downwards in the first half, with prime ground floor rents falling by 5.6% compared to 1H 2022. Given the government had stepped-up policy measures to stimulate consumption, the contraction of retail property rent is expected to moderate in the second half of 2023.

Shanghai's economy is gradually recovering from the pandemic, posting GDP growth of 9.7% in the first half of the year. A dozen infrastructure projects related to the Yangtze Delta regional integration are underway, including the Shanghai East Railway Station project, which officially started construction in March 2023. In addition, sixty-two urban village redevelopment projects have been approved by the government, of which ten will be launched this year. An intercity metro line 11 connecting Suzhou and Shanghai has commenced operations, which marks closer integration of the Yangtze Delta economies and will help to create synergistic regional growth. The city's competitiveness is also helped by the municipal government's recently announced 16 measures program, pledging approximately RMB6.8 trillion to support the development of internet services platform companies.

In 1H 2023, Chongqing achieved 4.6% GDP growth, 2% higher than in 2022. The rapid development of emerging industries, such as new energy vehicles, has contributed to the city's economic transformation and high-quality development. The municipal government recently unveiled an action plan to enhance the city's R&D capabilities, build technology clusters, and optimize innovation and entrepreneurship ecosystems, targeting to double the number of high-tech enterprises in five years. An action plan to *Promote the Construction of the Chengdu-Chongqing Economic Circle (2023-2027)* was promulgated, aiming to strengthen economic cooperation and innovation between Chongqing and Chengdu and to transform the regional economy into an economic powerhouse.

In 1H 2023, Wuhan achieved GDP growth of 5%, with fixed asset investment, real estate investment, and retail sales registering growth of 5.3%, 7.7%, and 9%, respectively. The government has loosened its home purchase restriction policies, which resulted in a transaction boom at the housing fair. Plans are underway to build a high-end service industry belt along the Yangtze River to form an industry cluster for

finance and insurance, creative design, and cultural tourism enterprises. The *Wuhan Metropolitan Area Development Plan* recently received approval by the National Development and Reform Commission. These development plans will further strengthen the city's dynamism and growing economic influence in Central China.

Foshan's economic growth accelerated to 5.2% in 1H 2023, supported by a gradual recovery of its manufacturing industries. In recent years, Foshan has embraced digital transformation and accelerated industry upgrading, aiming to increase industrial output to RMB 3 trillion this year. The government plans to develop its strategic emerging industries, including new energy vehicles, high-end equipment manufacturing, software, healthcare, and robotics. To stimulate the housing market, mortgage rates, and down payment ratios were lowered, and the household registration requirement was relaxed in early 2023. These supportive measures support a steady recovery of Foshan's housing market.

Nanjing's GDP increased by 5.6% in 1H 2023, buoyed by a recovery in retailing, hotel, and catering industries. Several large investment projects, including an expressway in the North Station Economic Zone, the CSSC-MacGregor Shipbuilding Equipment R&D and Manufacturing Base, and the Nanjing Robot Industry Park, were under construction. Nanjing has maintained its number six position in the PWC city competitiveness ranking for four consecutive years, helped by its strengths in transportation, urban planning and intellectual capital. To stabilize the housing market, the city issued a host of supportive policies, including the provision of subsidies to qualified home buyers, relaxation of purchase restrictions, and easings of provident fund policies.

The global economy continues to face immense challenges and uncertainties amid a tense geopolitical environment, currency swings, and a softening of trade and economic growth. Against this backdrop, economic policies in China will focus on upholding business and household confidence, ensuring the economy is on track to achieve the target growth rate of around 5%. Greater efforts will be devoted to supporting the private sector, which is the key contributor to job creation. Real estate market policies will be optimized to better support first-time buyer and upgraders demand to mitigate the risk of disorderly market adjustments. In the ensuing market shake-out period, property developers in strong financial standing will be well placed to meet the challenges and tap the unfolding opportunities.

FINANCIAL REVIEW



Wuhan Changjiang Tiandi

The Group's **revenue** for the six months ended 30 June 2023 ("1H 2023") rose to RMB6,431 million (1H 2022: RMB4,415 million), representing a 46% year-on-year increase, mainly driven by an increase in property sales.

Property sales in 1H 2023 increased by 90% to RMB4,662 million (1H 2022: RMB2,449 million), comprising RMB4,346 million contributed by Shanghai Panlong Tiandi (1H 2022: RMB2,065 million).

Rental and related income from property investment for 1H 2023 totalled RMB1,131 million (1H 2022: RMB1,091 million), representing a 4% year-on-year increase. In 1H 2023, the opening of Shanghai Panlong Tiandi and the re-opening of Xintiandi Style II generated additional revenue for the Group.

Rental and related income from the Group's Shanghai properties, which accounted for 71% (1H 2022: 70%) of the total rental and related income, increased by 5% to RMB801 million (1H 2022: RMB764 million). The rental and related income from the Group's non-Shanghai properties was stable at RMB330 million in 1H 2023 (1H 2022: RMB327 million).

Property management income for 1H 2023 increased by 9% to RMB273 million (1H 2022: RMB251 million), of which RMB205 million (1H 2022: RMB196 million) was from services rendered to commercial properties, with the remaining income of RMB68 million (1H 2022: RMB55 million) from residential properties.

Construction income decreased to RMB145 million in 1H 2023 (1H 2022: RMB448 million). During 1H 2022, RMB356 million in construction income was generated from the fit-out service rendered to the owners of our developed properties, while such service income was absent in 1H 2023.

Gross profit in 1H 2023 grew by 5% to RMB2,949 million (1H 2022: RMB2,821 million) alongside the increase in revenue, while **gross profit margin** declined to 46% (1H 2022: 64%) due to a lower proportion of gross profit contributed by property investments which have a higher gross profit margin.

Other income in 1H 2023 increased by 65% to RMB210 million (1H 2022: RMB127 million), mainly due to higher interest income from joint ventures recognised in 1H 2023.

Selling and marketing expenses in 1H 2023 increased by 15% to RMB107 million (1H 2022: RMB93 million) due to a higher amount of sales commissions recognised in 1H 2023.

General and administrative expenses, which are comprised of staff costs, depreciation charges, and advisory costs, increased slightly to RMB530 million in 1H 2023 (1H 2022: RMB509 million).

A decrease in the fair value of investment properties totalled RMB88 million in 1H 2023 (1H 2022: increase of RMB64 million). The investment property portfolio in Shanghai and outside Shanghai recorded valuation losses of RMB53 million and RMB35 million, respectively. The section on “Investment Properties” in the Business Review Section provides detailed descriptions of these properties.

Other gains and losses recorded a net loss of RMB185 million in 1H 2023 (1H 2022: net loss of RMB134 million), comprised of:

(Losses)/Gains	1H 2023 RMB'million	1H 2022 RMB'million
Cost arising from hedging activities	(8)	(173)
(Loss)/gain from fair value change of derivative financial instruments	(163)	58
Provision for impairment losses on property and equipment	(68)	–
Provision for impairment losses under expected credit loss model	–	(15)
Others	54	(4)
Total	(185)	(134)

Share of results of associates and joint ventures recorded a net gain of RMB689 million in 1H 2023 (1H 2022: net loss of RMB73 million). The gain in 1H 2023 was mainly from the property sales in the joint venture project with GRANDJOY in Shanghai RHXC and the partnership portfolio in Chongqing (disclosed as associates), which recorded a gain of RMB796 million in 1H 2023 (1H 2022: loss of RMB14 million). The gain was partially offset by the revaluation loss for CPIC Xintiandi Commercial Center, which amounted to RMB160 million in 1H 2023 (1H 2022: loss of RMB119 million). The Group has a 25% effective interest in this project.

Finance costs, inclusive of exchange differences, totalled RMB1,068 million in 1H 2023 (1H 2022: RMB1,176 million). Total interest costs increased by 33% to RMB1,118 million (1H 2022: RMB839 million), along with a higher average cost of debt of 6.55% in 1H 2023 (1H 2022: 5.12%). Of the abovementioned interest costs, 10% (1H 2022: 18%) or RMB109 million (1H 2022: RMB151 million) was capitalised as the cost of property development, with the remaining 90%

(1H 2022: 82%) relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses.

Taxation totalled RMB957 million in 1H 2023 (1H 2022: RMB248 million). The year-on-year increase resulted in part from higher property sales profit for Shanghai Panlong Tiandi during the period. 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, which is the proceeds of property sales less deductible expenditures, including costs of land, development, and construction.

Profit in 1H 2023 was RMB913 million (1H 2022: RMB779 million).

Profit attributable to shareholders of the Company in 1H 2023 was RMB618 million (1H 2022: RMB450 million).

The core earnings of the Group are as follows:

	Six months ended 30 June		Change %
	2023 RMB'million	2022 RMB'million	
Profit attributable to shareholders of the Company	618	450	37%
Decrease/(increase) in fair value of the investment properties, net of tax	80	(55)	
Share of results of joint ventures – fair value loss/(gain) of the investment properties, net of tax	13	(8)	
	93	(63)	
Non-controlling interests	(13)	16	
Net effect of changes in the valuation	80	(47)	
Profit attributable to shareholders of the Company before revaluation	698	403	73%
Add:			
Profit attributable to owners of perpetual capital securities	–	116	
Core earnings of the Group	698	519	34%

Earnings per share in 1H 2023 was RMB7.7 cents, calculated based on a weighted average of approximately 8,009 million shares in issue in 1H 2023 (1H 2022: RMB5.6 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue).

Dividends payable to shareholders of the Company must comply with certain covenants under the senior notes and bank borrowings.

Having taken into consideration the Group's financial performance during the period, the Board has resolved to recommend the payment of a 2023 interim dividend of HKD0.032 per share (1H 2022: HKD0.036 per share).

Liquidity, Capital Structure, and Gearing Ratio

On 27 April 2023, Shanghai Rui Qiao Property Development Co., Ltd, a wholly-owned subsidiary of the Company, obtained financing under securitisation arrangements (the "Receipts Under Securitisation Arrangements") with an aggregate principal amount of RMB4,401 million at 100% of face value comprising (i) RMB4,400 million with a term of fixed annual coupon rate of 3.9% and quarter distribution from June 2023 till March 2041, and (ii) RMB1 million with a term of no annual coupon rate. The Receipts Under Securitisation Arrangements are listed on the Shanghai Stock Exchange.

The structure of the Group's borrowings as of 30 June 2023 is summarised below:

	Total RMB'million	Due within one year RMB'million	Due in more than one year but not exceeding two years RMB'million	Due in more than two years but not exceeding five years RMB'million	Due in more than five years RMB'million
Bank borrowings – RMB	7,011	1,838	527	1,134	3,512
Bank borrowings – HKD	1,533	1,034	382	117	–
Bank borrowings – USD	7,452	5,246	1,864	342	–
Senior notes – USD	13,762	3,625	7,261	2,876	–
Receipts under securitisation arrangements – RMB	4,380	40	40	155	4,145
Total	34,138	11,783	10,074	4,624	7,657

Cash and bank deposits as of 30 June 2023 totalled RMB12,239 million (31 December 2022: RMB13,368 million), which included RMB2,714 million (31 December 2022: RMB2,192 million) of deposits pledged to banks and RMB3,307 million (31 December 2022: RMB1,691 million) of restricted bank balances which can only be applied to designated property development projects of the Group.

As of 30 June 2023, the Group's net debt was RMB21,899 million (31 December 2022: RMB20,144 million), and its total equity was RMB44,200 million (31 December 2022: RMB44,401 million). The Group's net gearing ratio was 50% (31 December 2022: 45%), calculated based on the excess of the sum of senior notes, bank borrowings, and receipts under securitisation arrangements net of bank balances and cash (including pledged bank deposits and restricted bank balances) over the total equity.



As of 30 June 2023, HKD/USD borrowings, including senior notes (unhedged), net off HKD/USD cash, amounted to approximately RMB20,606 million, comprising approximately 60% of the total borrowings (31 December 2022: 40%).

Total undrawn banking facilities available to the Group amounted to approximately RMB4,546 million as of 30 June 2023 (31 December 2022: RMB2,196 million).

Pledged Assets

As of 30 June 2023, the Group had pledged investment properties, property, and equipment, right-of-use assets, properties under development for sale, receivables, and bank deposits totalling RMB37,149 million (31 December 2022: RMB35,536 million) to secure the Group's borrowings of RMB14,018 million (31 December 2022: RMB10,662 million).

Capital and Other Development-Related Commitments

As of 30 June 2023, the Group had contracted commitments for development costs, capital expenditure, and other investments of RMB5,052 million (31 December 2022: RMB5,771 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.

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 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 denominated in USD issued from 2019 to 2021. 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 2023, the Group had approximately USD200 million in forward contracts to hedge the USD currency risk against RMB. The Group continues to closely monitor its exposure to exchange rate risk. It 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 one to fifteen years for project construction loans and mortgage loans. Increases in interest rates would raise interest expenses relating to the outstanding variable rate borrowings and the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the debt obligations.

On 30 June 2023, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Offered Rates (“HIBOR”), Secured Overnight Financing Rate (“SOFR”), and Loan Prime Rate (“LPR”). 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 0.54% to 2.75%, based on the notional aggregate amounts of HKD500 million. The Group continues to closely monitor its exposure to interest rate risk. It 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 2023, the Group does not hold any other derivative financial instruments 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 RMB1,582 million on 30 June 2023 (31 December 2022: RMB1,983 million) to banks in favour of its customers regarding 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.



Wuhan Tiandi La Riva III

INDEPENDENT REVIEW REPORT



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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 57, 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 2023 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
22 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Revenue	3A	6,431	4,415
Cost of sales		(3,482)	(1,594)
Gross profit		2,949	2,821
Other income	4	210	127
Selling and marketing expenses		(107)	(93)
General and administrative expenses		(530)	(509)
(Decrease)/increase in fair value of the investment properties	10	(88)	64
Other gains and losses	4	(185)	(134)
Share of results of associates and joint ventures		689	(73)
Finance costs, inclusive of exchange differences	5	(1,068)	(1,176)
Profit before tax	6	1,870	1,027
Tax	7	(957)	(248)
Profit for the period		913	779
Attributable to:			
Shareholders of the Company		618	450
Non-controlling shareholders of subsidiaries		295	213
Owners of perpetual capital securities		–	116
		295	329
		913	779
Earnings per share attributable to the shareholders of the Company	9		
– Basic		RMB7.7 cents	RMB5.6 cents
– Diluted		RMB7.7 cents	RMB5.6 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Profit for the period	913	779
Other comprehensive (expense)/income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	(638)	1
The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges	67	455
The effective portion of changes in the fair value of interest rate swaps designated as cash flow hedges	–	35
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	(39)	(558)
Share of other comprehensive expenses of an associate and a joint venture	(19)	(51)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Surplus on revaluation of properties transferred from property and equipment to completed investment properties, net of tax	6	14
Other comprehensive expenses for the period	(623)	(104)
Total comprehensive income for the period	290	675
Total comprehensive (expense)/income attributable to:		
Shareholders of the Company	(8)	338
Non-controlling shareholders of subsidiaries	298	221
Owners of perpetual capital securities	–	116
	298	337
	290	675

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2023

	Notes	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Non-current assets			
Investment properties	10	51,933	51,665
Interests in associates	11	8,805	8,010
Interests in joint ventures	12	14,043	13,154
Property and equipment		1,045	1,197
Right-of-use assets		18	46
Receivables, deposits, and prepayments	13	316	298
Pledged bank deposits		–	2,192
Loan to a non-controlling shareholder		19	22
Deferred tax assets		95	282
Other non-current assets		93	106
		76,367	76,972
Current assets			
Properties under development for sale		1,726	4,541
Properties held for sale		1,904	1,759
Receivables, deposits, and prepayments	13	2,454	1,603
Amounts due from associates	11	308	193
Loans to/amounts due from joint ventures	12	4,885	4,926
Amounts due from related companies		421	411
Contract assets	14	234	322
Derivative financial instruments	18	68	492
Pledged bank deposits		2,714	–
Bank balances and cash		9,525	11,176
Prepaid taxes		140	26
Assets classified as held for sale		2,457	2,457
		26,836	27,906
Current liabilities			
Accounts payable, deposits received, and accrued charges	15	4,955	5,311
Contract liabilities		3,869	5,416
Bank borrowings		8,118	8,069
Senior notes	16	3,625	3,491
Receipts under securitisation arrangements	17	40	–
Tax liabilities		3,618	4,035
Amounts due to non-controlling shareholders of subsidiaries		63	204
Amounts due to associates	11	478	557
Loans from/amounts due to joint ventures	12	235	45
Amounts due to related companies		354	357
Liability arising from a rental guarantee arrangement		28	28
Lease liabilities		10	11
		25,393	27,524

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 JUNE 2023

	Notes	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Net current assets		1,443	382
Total assets less current liabilities		77,810	77,354
Non-current liabilities			
Bank borrowings		7,878	12,188
Senior notes	16	10,137	9,764
Receipts under securitisation arrangements	17	4,340	–
Deferred tax liabilities		4,789	4,799
Accounts payable, deposits received, and accrued charges	15	578	560
Loans from an associate	11	5,825	5,575
Lease liabilities		52	56
Defined benefit liabilities		11	11
		33,610	32,953
Capital and reserves			
Share capital		146	146
Reserves	19	38,530	39,004
Equity attributable to shareholders of the Company		38,676	39,150
Non-controlling interests		5,524	5,251
Total equity		44,200	44,401
Total equity and non-current liabilities		77,810	77,354

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to shareholders of the Company				Non-controlling interests RMB'million	Total RMB'million
	Share capital RMB'million	Reserves RMB'million (Note 19)	Retained earnings RMB'million	Sub-total RMB'million		
On 1 January 2023 (audited)	146	16,908	22,096	39,150	5,251	44,401
Profit for the period	–	–	618	618	295	913
Exchange difference arising on translation of foreign operations	–	(638)	–	(638)	–	(638)
The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges	–	67	–	67	–	67
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	(39)	–	(39)	–	(39)
Surplus on revaluation of properties transferred from property and equipment to completed investment properties, net of tax	–	3	–	3	3	6
Share of other comprehensive expenses of an associate and a joint venture	–	(19)	–	(19)	–	(19)
Total comprehensive income for the period	–	(626)	618	(8)	298	290
Capital injection by non-controlling shareholders of subsidiaries	–	–	–	–	21	21
Capital reduction by non-controlling shareholders of subsidiaries	–	–	–	–	(27)	(27)
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	(19)	(19)
2022 final dividend	–	–	(466)	(466)	–	(466)
On 30 June 2023 (unaudited)	146	16,282*	22,248*	38,676	5,524	44,200

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to shareholders of the Company				Perpetual capital securities RMB'million	Non-controlling interests RMB'million	Total RMB'million
	Share capital RMB'million	Reserves RMB'million (Note 19)	Retained earnings RMB'million	Sub-total RMB'million			
On 1 January 2022 (audited)	146	17,771	22,019	39,936	4,049	5,193	49,178
Profit for the period	–	–	450	450	116	213	779
Exchange difference arising on translation of foreign operations	–	1	–	1	–	–	1
The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges	–	455	–	455	–	–	455
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	(558)	–	(558)	–	–	(558)
The effective portion of changes in the fair value of interest rate swaps designated as cash flow hedges	–	35	–	35	–	–	35
Surplus on revaluation of properties transferred from property and equipment to completed investment properties, net of tax	–	6	–	6	–	8	14
Share of other comprehensive expenses of an associate and a joint venture	–	(51)	–	(51)	–	–	(51)
Total comprehensive income for the period	–	(112)	450	338	116	221	675
Repayment of equity loans from a non-controlling shareholder of subsidiaries	–	–	–	–	–	(69)	(69)
Distribution to owners of perpetual capital securities	–	–	–	–	(128)	–	(128)
Redemption of perpetual capital securities	–	38	–	38	(4,037)	–	(3,999)
Dividend declared to a non-controlling shareholder of a subsidiary	–	–	–	–	–	(10)	(10)
2021 final dividend	–	–	(574)	(574)	–	–	(574)
On 30 June 2022 (unaudited)	146	17,697*	21,895*	39,738	–	5,335	45,073

* These reserve accounts comprise the consolidated reserves of RMB38,530 million and RMB39,592 million as at 30 June 2023 and 30 June 2022, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flow before changes in working capital	2,424	2,334
Decrease in properties under development for sale and held for sale	2,775	1,508
Increase in receivables, deposits, and prepayments	(1,027)	(267)
Decrease in contract assets	88	166
Decrease in accounts payable, deposits received, and accrued charges	(491)	(1,838)
Decrease in contract liabilities	(1,547)	(1,794)
Other changes in working capital	(39)	(22)
Cash generated from operations	2,183	87
Tax paid	(1,316)	(2,183)
Net cash generated from/(used in) operating activities	867	(2,096)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	125	91
Additions to investment properties	(142)	(168)
Loans to joint ventures	(43)	(132)
Investments in joint ventures	(951)	(50)
Repayments from a joint venture	180	–
Dividend received from a joint venture	139	–
Other investing cash flows	10	(36)
Net cash used in investing activities	(682)	(295)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments to a non-controlling shareholder	–	(69)
Repayments of lease liabilities	(6)	–
Issue of receipts under securitisation arrangements	4,390	–
Repayment of receipts under securitisation arrangements	(10)	–
Drawdown of bank borrowings	3,551	4,789
Repayments of bank borrowings	(8,109)	(3,548)
Increase in pledged bank deposits	(522)	(2,100)
Settlements for derivative financial instruments designated as cash flow hedges	401	(188)
Interest paid	(1,180)	(822)
Payment of dividends	(466)	(574)
Distribution to owners of perpetual capital securities	–	(128)
Dividend payment to non-controlling shareholders of subsidiaries	(33)	(33)
Capital injected by non-controlling shareholders	21	–
Capital reduction paid to non-controlling shareholders	(156)	(250)
Redemption of perpetual capital securities	–	(3,999)
Loans from an associate	250	2,800
Net cash used in financing activities	(1,869)	(4,122)
Net decrease in cash and cash equivalents	(1,684)	(6,513)
Cash and cash equivalents at the beginning of the period	11,176	17,284
Effect of foreign exchange rate changes, net	33	104
Cash and cash equivalents at the end of the period	9,525	10,875
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	9,525	10,875

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2023

1. GENERAL

The interim condensed consolidated financial information for the six months ended 30 June 2023 has 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 (the "Hong Kong Stock Exchange") and with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements. It should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as of 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022. The amendments did not have any significant impact on the Group's financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below (continued):

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023. However they are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact on the Group.

3A. REVENUE INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Property development:		
Property sales	4,662	2,449
Property management:		
Property management fee income	273	251
Construction	145	448
Others	220	176
	5,300	3,324
Geographical markets:		
Shanghai	4,966	2,484
Wuhan	243	731
Foshan	64	64
Chongqing	16	36
Nanjing	11	9
	5,300	3,324
Timing of revenue recognition		
At a point in time	4,662	2,449
Over time	638	875
	5,300	3,324

3A. REVENUE INFORMATION (continued)

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

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Property development:		
Property sales	4,662	2,449
Property management:		
Property management fee income	273	251
Construction	145	448
Others	220	176
Revenue from contracts with customers	5,300	3,324
Property investment		
Rental income from investment properties	1,020	987
Rental-related income	111	104
	6,431	4,415

3B. SEGMENTAL INFORMATION

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

- Property development – development and sale of properties
- Property investment – offices and commercial/mall leasing
- Property management – provision of daily management service of properties
- Construction – construction, interior fitting-out, renovation and maintenance of building premises

3B. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2023 (Unaudited)

	Reportable segment						Consolidated RMB'million
	Property development RMB'million	Property investment RMB'million	Property management RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	
SEGMENT REVENUE							
Segment revenue of the Group	4,662	1,131	273	145	6,211	220	6,431
SEGMENT RESULTS							
Segment results of the Group	1,658	732	42	7	2,439	16	2,455
Interest income							188
Share of results of associates and joint ventures							689
Finance costs, inclusive of exchange differences							(1,068)
Other gains and losses							(185)
Unallocated income							21
Unallocated expenses							(230)
Profit before tax							1,870
Tax							(957)
Profit for the period							913

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3B. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2022 (Unaudited)

	Reportable segment					Total RMB'million	Others RMB'million	Consolidated RMB'million
	Property development RMB'million	Property investment RMB'million	Property management RMB'million	Construction RMB'million				
SEGMENT REVENUE								
Segment revenue of the Group	2,449	1,091	251	448	4,239	176	4,415	
SEGMENT RESULTS								
Segment results of the Group	1,472	854	34	124	2,484	3	2,487	
Interest income							115	
Share of results of associates and joint ventures							(73)	
Finance costs, inclusive of exchange differences							(1,176)	
Other gains and losses							(134)	
Unallocated income							12	
Unallocated expenses							(204)	
Profit before tax							1,027	
Tax							(248)	
Profit for the period							779	

Segment results represent the profit earned by each segment without allocation of central administration costs, directors' salaries, interest income, share of results of associates and joint ventures, other gains and losses, finance costs inclusive of exchange differences, and other unallocated income/expenses. This is the measure reported for resource allocation and performance assessment.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Other income		
Interest income from banks	108	91
Interest income from loans to joint ventures	80	24
Grants received from local government	17	8
Others	5	4
	210	127
Other gains and losses		
Cost arising from hedging activities	(8)	(173)
(Loss)/gain from fair value change of derivative financial instruments	(163)	58
Provision for impairment losses on property and equipment	(68)	–
Provision for impairment losses under expected credit loss model	–	(15)
Others	54	(4)
	(185)	(134)

5. FINANCE COSTS, INCLUSIVE OF EXCHANGE DIFFERENCES

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Interest on borrowings	730	479
Interest on senior notes	387	358
Interest expenses from lease liabilities	1	2
Total interest costs	1,118	839
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(109)	(151)
Interest expenses charged to profit or loss	1,009	688
Net exchange loss	21	477
Others	38	11
	1,068	1,176

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting)

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Depreciation of property and equipment	61	59
Depreciation of right-of-use assets	3	4
Employee benefit expenses		
Directors' emoluments		
Fees	2	2
Salaries, bonuses and other benefits	29	32
	31	34
Other staff costs		
Salaries, bonuses and other benefits	528	512
Retirement benefit costs	25	22
	553	534
Total employee benefit expenses	584	568
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(52)	(48)
	532	520
Provision for impairment losses on receivables	–	15
Cost of properties sold recognised as an expense	2,869	848
Provision for/(reversal of) impairment losses on properties held for sale (included in "cost of sales")	27	(2)
Lease payments relating to short-term leases and low-value leases	3	8

7. TAX

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Hong Kong profits tax		
– Charge for the period	8	5
PRC enterprise income tax (“EIT”)		
– Charge for the period	348	161
Deferred tax		
– Charge/(credit) for the period	177	(359)
PRC land appreciation tax (“LAT”)		
– Charge for the period	294	311
PRC withholding tax		
– Charge for the period	130	130
	957	248

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

PRC EIT has been provided at the applicable income tax rate of 25% on the assessable profits of the companies in the Group during the period.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. PRC LAT 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	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Final dividend paid in respect of 2022 of HKD0.064 per share (2022: final dividend paid in respect of 2021 of HKD0.084 per share)	466	574

Having taken into consideration the Group’s financial performance during the period, the board has resolved to recommend the payment of an interim dividend of HKD0.032 per share for 2023 (1H 2022: HKD0.036 per share).

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9. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
Earnings for the purpose of basic/diluted earnings per share, being profit for the period attributable to shareholders of the Company	618	450

Number of shares

	Six months ended 30 June	
	2023 million (Unaudited)	2022 million (Unaudited)
The weighted average number of ordinary shares for basic earnings per share (note (a))	8,009	8,044
Effect of dilutive potential ordinary shares (note (b))	–	–
The weighted average number of ordinary shares for diluted earnings per share	8,009	8,044
Basic earnings per share (note (c))	RMB7.7 cents HKD8.7 cents	RMB5.6 cents HKD6.7 cents
Diluted earnings per share (note (c))	RMB7.7 cents HKD8.7 cents	RMB5.6 cents HKD6.7 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 2022: 17,710,250) shares held by a share award scheme trust as set out in note 20.
- (b) There were no dilution effects on outstanding share options as the exercise prices of these options were higher than the average market price of the Company's shares for the six months ended 30 June 2022. All share options lapsed on 3 July 2022.
- (c) The figures expressed in Hong Kong dollars presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.1253 for the six months ended 30 June 2023 and RMB1.000 to HKD1.2034 for the six months ended 30 June 2022, being the average exchange rates that prevailed during the respective periods.

10. INVESTMENT PROPERTIES

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	47,294	47,193
Investment properties under construction or development, stated at fair value	4,483	4,297
stated at cost	77	91
	4,560	4,388
Investment property – sublease of right-of-use assets	79	84
	51,933	51,665

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

	Completed investment properties at fair value RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Investment property – sublease of right-of-use assets RMB'million	Total RMB'million
On 1 January 2023 (audited)	47,193	4,297	91	84	51,665
Increase	21	256	7	–	284
Transfer upon construction commenced	–	21	(21)	–	–
Transfer from property and equipment	72	–	–	–	72
Increase/(decrease) in fair value recognised in profit or loss	8	(91)	–	(5)	(88)
On 30 June 2023 (unaudited)	47,294	4,483	77	79	51,933
On 1 January 2022 (audited)	44,499	6,303	416	93	51,311
Increase	35	195	3	–	233
Transfer to property and equipment	(45)	–	–	–	(45)
Transfer from property and equipment	39	–	–	–	39
Increase/(decrease) in fair value recognised in profit or loss	55	14	–	(5)	64
On 30 June 2022 (unaudited)	44,583	6,512	419	88	51,602

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10. INVESTMENT PROPERTIES (continued)

The fair values of the Group's investment properties on 30 June 2023 and 31 December 2022 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

For completed investment properties and investment properties sublease of right-of-use assets, the valuations have been arrived at by using the income approach – term and reversion method by capitalizing the net income shown on tenancy schedules, and the market rentals of all lettable units of the properties which 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 input in the valuations is 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 values of similar completed properties in the respective locations.

On 30 June 2023, the Group's investment properties with a total carrying amount of RMB33,444 million (2022: RMB32,491 million) were pledged to secure banking facilities granted to the Group (note 21).

11. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM/LOANS FROM/AMOUNTS DUE TO ASSOCIATES

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Interests in associates		
– Cost of investments, unlisted	7,615	7,615
– Share of post-acquisition results, net of effect on elimination of unrealised intercompany transactions	1,204	417
– Share of other comprehensive expense of an associate	(14)	(22)
	8,805	8,010
Amounts due from associates – current		
– Unsecured, interest-free and repayable on demand	308	193
Amounts due to associates – current		
– Unsecured, interest-free and repayable on demand	478	557
	478	557
Loans from an associate – non-current		
– Unsecured, fixed rate at 3.65% to 3.85%	5,825	5,575
	5,825	5,575

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

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Interests in joint ventures		
– Costs of investments, unlisted	11,825	10,874
– Impairment provision	(376)	(376)
– Share of post-acquisition results, net of effect on elimination of unrealised intercompany transactions	(26)	99
– Share of other comprehensive expense of a joint venture	(33)	(6)
	11,390	10,591
Loans to joint ventures – non-current		
– Unsecured, fixed rate at 7.00%	895	918
Amounts due from joint ventures – non-current		
– Unsecured, interest-free	1,758	1,645
	14,043	13,154
Loans to joint ventures – current		
– Unsecured, fixed rate at 3.65% to 7.00%	4,804	4,690
Amounts due from joint ventures – current		
– Unsecured, interest-free and repayable on demand	81	236
	4,885	4,926
Amounts due to joint ventures – current		
– Unsecured, interest-free and repayable on demand	149	45
Loans from a joint venture – current		
– Unsecured, fixed rate at 3.65%	86	–
	235	45

13. RECEIVABLES, DEPOSITS, AND PREPAYMENTS

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Non-current portion comprises:		
Trade receivables (note (b))		
– rental receivables	316	298
Current portion comprises:		
Trade receivables (note (b))		
– rental receivables	106	140
– goods and services	238	160
– operating lease receivables	77	84
Prepayments of relocation costs (note (a))	1,597	640
Receivables from the disposal of an associate and a joint venture	26	123
Other deposits, prepayments and receivables	382	434
Value-added tax recoverable	28	22
	2,454	1,603

Notes:

(a) The balances represent the amounts that will be compensated by the government upon the completion of the relocation.

(b) Trade receivables comprises:

- (i) receivables arising from sales of properties that are due for settlement in accordance with the terms of the relevant sale and purchase agreements;
- (ii) operating lease receivables which are due for settlement upon issuance of monthly debit notes to the tenants;
- (iii) receivables arising from construction revenue of which a credit term of 40 days is granted to the customers; and
- (iv) rental receivables attributable to the rent-free period that have been calculated and amortised on a straight-line basis over the lease terms.

As at 30 June 2023 and 31 December 2022, trade receivables from contracts with customers amounted to RMB238 million and RMB160 million, respectively.

Included in the Group's receivables, deposits, and prepayments are trade receivable balances of RMB737 million (2022: RMB682 million), of which 74% (2022: 65%) are not yet past due, 13% (2022: 14%) are past due less than 90 days, and 13% (2022: 21%) are past due over 90 days, as compared to when revenue was recognised.

Out of the past due balances, RMB95 million (2022: RMB145 million) has been past due 90 days or more and is not considered as in default since the directors of the Company consider that such balances could be recovered based on repayment history, the financial conditions and the current creditworthiness of each customer.

14. CONTRACT ASSETS

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Construction	234	322

The contract assets primarily relate to the Group's rights 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.

15. ACCOUNTS PAYABLE, DEPOSITS RECEIVED, AND ACCRUED CHARGES

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Current portion comprises:		
Trade payables (note)	2,590	3,103
Land and relocation cost payables	718	783
Deed tax and other tax payables	99	81
Deposits received in advance for the rental of investment properties	441	382
Value-added tax payables	221	109
Value-added tax arising from contract liabilities	232	322
Other payables and accrued charges	654	531
	4,955	5,311
Non-current portion comprises:		
Land and relocation cost payables	45	45
Deposits received in advance for the rental of investment properties	533	515
	578	560

Note:

Included in the Group's accounts payable, deposits received, and accrued charges are trade payable balances of RMB2,590 million (2022: RMB3,103 million), of which 96% (2022: 92%) are aged less than 30 days, 2% (2022: 7%) are aged between 31 and 90 days, and 2% (2022: 1%) are aged more than 90 days, based on the invoice date.

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16. SENIOR NOTES

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
At the beginning of period/year	13,255	12,116
Interest charged during the period/year	387	745
Less: interest paid	(375)	(728)
Exchange realignment	495	1,122
At the end of period/year	13,762	13,255
Less: Amount due within one year shown under current liabilities	3,625	3,491
At the end of period/year and payable after one year	10,137	9,764

As at 30 June 2023, the effective interest rates on the senior notes ranged from 5.50% to 6.26% (2022: 5.50% to 6.26%) per annum. The senior notes are unsecured and guaranteed by the Company.

17. RECEIPTS UNDER SECURITISATION ARRANGEMENTS

On 27 April 2023, Shanghai Rui Qiao Property Development Co., Ltd, a wholly-owned subsidiary of the Company, obtained financing under securitisation arrangements (the "Receipts Under Securitisation Arrangements") with an aggregate principal amount of RMB4,401 million at 100% of face value, comprising (i) RMB4,400 million with a term of fixed annual coupon rate of 3.9% and quarter distribution, and (ii) RMB1 million with a term of no annual coupon rate. The Receipts Under Securitisation Arrangements are listed on the Shanghai Stock Exchange and will be repaid by instalments till 26 March 2041. The Receipts Under Securitisation Arrangements are assets backed securitisation collateralised by certain commercial assets held by Shanghai Rui Qiao Property Development Co., Ltd and its certain future rental income.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Currency forward contracts designated as hedging instruments	66	28
Currency forward contracts not designated as hedging instruments	–	442
Interest rate swaps designated as hedging instruments	2	22
	68	492
For the purpose of financial statement presentation:		
Current assets	68	492
Current liabilities	–	–

19. RESERVES

	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	Total RMB'million
On 1 January 2023 (audited)	18,052	122	(135)	–	10	(1,015)	(11)	(225)	110	16,908
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(638)	–	–	–	(638)
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	–	–	–	–	–	(39)	–	–	(39)
The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges	–	–	–	–	–	–	67	–	–	67
Surplus on revaluation of properties transferred from property and equipment to completed investment properties, net of tax	–	–	–	–	–	–	–	–	3	3
Share of other comprehensive expenses of an associate and a joint venture	–	–	–	–	–	–	–	(19)	–	(19)
Total other comprehensive expenses for the period	–	–	–	–	–	(638)	28	(19)	3	(626)
On 30 June 2023 (unaudited)	18,052	122	(135)	–	10	(1,653)	17	(244)	113	16,282

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19. RESERVES (continued)

	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	Total RMB'million
On 1 January 2022 (audited)	18,078	122	(135)	3	10	(117)	(111)	(183)	104	17,771
Exchange difference arising on translation of foreign operations	-	-	-	-	-	1	-	-	-	1
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	-	-	-	-	-	-	(558)	-	-	(558)
The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges	-	-	-	-	-	-	455	-	-	455
The effective portion of changes in the fair value of interest rate swaps designated as cash flow hedges	-	-	-	-	-	-	35	-	-	35
Surplus on revaluation of properties transferred from property and equipment to completed investment properties, net of tax	-	-	-	-	-	-	-	-	6	6
Share of other comprehensive expenses of an associate and a joint venture	-	-	-	-	-	-	-	(51)	-	(51)
Total other comprehensive expenses for the period	-	-	-	-	-	1	(68)	(51)	6	(112)
Redemption of perpetual capital securities	-	-	-	-	-	-	-	38	-	38
On 30 June 2022 (unaudited)	18,078	122	(135)	3	10	(116)	(179)	(196)	110	17,697

20. SHARE-BASED PAYMENT TRANSACTIONS

Share award scheme

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

As at 30 June 2023, 17,710,250 (31 December 2022: 17,710,250) shares were allotted at par and held by the trust for the share award schemes.

21. PLEDGE OF ASSETS

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

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Investment properties	33,444	32,491
Property and equipment	33	34
Right-of-use assets	6	6
Properties under development for sale	777	687
Receivables	175	126
Bank deposits	2,714	2,192
	37,149	35,536

22. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

At the end of the reporting period, the Group has the following commitments:

	30 June 2023 RMB'million (Unaudited)	31 December 2022 RMB'million (Audited)
Contracted but not provided for:		
Development costs for investment properties under construction or development	158	296
Development costs for properties under development held for sale	407	255
Investments in joint ventures	4,487	5,220
	5,052	5,771

(b) Contingent liabilities

The Group provided guarantees of RMB1,582 million at 30 June 2023 (31 December 2022: RMB1,983 million) to banks in favour of its customers regarding 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 for 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 outflow of resources that will be required and the assessment of whether a reliable estimate of the amount of the obligation can be made.

In the opinion of the directors of the Company, the provision for 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. The Group is entitled to possess the property if there is any 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 2023. Should the actual outcome be different from the expected, provision for losses will be recognised in the condensed consolidated financial information.

23. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2023 RMB'million (Unaudited)	2022 RMB'million (Unaudited)
<i>Shui On Company Limited ("SOCL") (note 1) and its subsidiaries other than those of the Group</i>		
Rental expense	2	2
Renovation expense	1	1
Service cost reimbursement	1	2
<i>SOCAM Development Limited ("SOCAM") (note 2) and its subsidiaries, being subsidiaries of SOCL</i>		
Rental and building management fee income	1	–
<i>Great Eagle Holdings Limited ("GE") (note 3) and its subsidiaries</i>		
Rental and building management fee income	2	2
<i>Associates</i>		
Revenue from construction services	1	–
Revenue from real estate asset management service	17	18
Interest expense	108	81
Rental and building management fee expenses	2	7
<i>Joint ventures</i>		
Interest income	80	24
Revenue from real estate asset management service	49	50
Revenue from project management service	51	48
Revenue from construction services	83	30
Rental and building management fee income	1	1
Revenue from consulting service	4	4
Service cost reimbursement	21	14
Interest expense	1	–
<i>Non-controlling shareholders of subsidiaries</i>		
Management service fee expense	10	9
<i>Key management personnel</i>		
Short-term benefits	83	83

Notes:

- Shui On Company Limited is a private limited liability company incorporated in the British Virgin Islands and its ultimate controlling party is Mr. Vincent H.S. LO, who is also the Chairman and Executive Director of the Company.
- SOCAM Development Limited, a subsidiary of SOCL, is listed on the Hong Kong Stock Exchange.
- Great Eagle Holdings Limited is a company listed on the Hong Kong Stock Exchange. Dr. Lo Ka Shui is a substantial shareholder of Great Eagle Holdings Limited, he is an associate of Mr. Vincent H.S. LO, who is the Chairman and Executive Director of the Company.

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

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 22 August 2023.

Interim Dividend

The Board of Directors of the Company (the "Board") has declared an interim dividend of HKD0.032 per share (2022: HKD0.036 per share) for the six months ended 30 June 2023, amounting to approximately RMB237 million (2022: RMB256 million) in aggregate, which is payable on or about 22 September 2023 to shareholders whose names appear on the register of members of the Company on 8 September 2023.

To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 8 September 2023.

Directors' Interests in Securities

At 30 June 2023, 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

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital of the Company (Note 3)
	Personal interests	Family interests	Other interests		
Mr. Vincent H. S. LO ("Mr. Lo")	–	1,849,521 (Note 1)	4,511,756,251 (Note 2)	4,513,605,772	56.23%
Ms. Stephanie B. Y. LO ("Ms. Lo")	–	–	4,511,756,251 (Note 2)	4,511,756,251	56.21%
Ms. Jessica Y. WANG ("Ms. Wang")	670,500	–	–	670,500	0.008%
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, 2,756,414,318 shares, and 29,847,937 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), and New Rainbow Investments Limited ("NRI"), respectively, whereas SOP was a wholly-owned subsidiary of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("SOCAM") which in turn was held by SOCL as to 63.27% as of 30 June 2023. 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 percentages have been compiled based on the total number of issued shares (i.e., 8,027,265,324 shares) of the Company at 30 June 2023.

(b) Long position in the shares of the associated corporation of the Company – SOCAM

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital (Note 3)
	Personal interests	Family interests	Other interests		
Mr. Lo	–	312,000 (Note 1)	236,309,000 (Note 2)	236,621,000	63.36%
Ms. Lo	–	–	236,309,000 (Note 2)	236,309,000	63.27%

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 were beneficially owned by SOCL. 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) These percentages have been compiled based on the total number of issued shares (i.e., 373,452,164 shares) of SOCAM at 30 June 2023.

(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	USD33,100,000 (Note 1)
		Family interests	USD3,400,000 (Note 2)
Ms. Lo	SODH	Discretionary beneficiary of a trust	USD33,100,000 (Note 1)
Mr. Douglas H. H. SUNG ("Mr. Sung")	SODH	Personal interests	USD200,000

Notes:

(1) These debentures were held by SOCL through its controlled corporations, comprising debentures amounting to USD2,000,000 and USD31,100,000, held by SOCAM and SOI, respectively, whereas SOCAM was held by SOCL as to 63.27% at 30 June 2023. SOI was an indirect wholly-owned subsidiary of SOCL. 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 debentures under Part XV of the SFO.

(2) These debentures were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in such debentures under Part XV of the SFO.

Save as disclosed above, at 30 June 2023, 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 2023, 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 to the issued share capital of the Company (Note 4)
Mrs. Lo	Family and personal interests	4,513,605,772 (Notes 1 & 3)	56.23%
HSBC Trustee	Trustee	4,511,756,251 (Notes 2 & 3)	56.21%
Bosrich	Trustee	4,511,756,251 (Notes 2 & 3)	56.21%
SOCL	Interests of controlled corporation	4,511,756,251 (Notes 2 & 3)	56.21%

Notes:

- (1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,511,756,251 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 4,511,756,251 shares under Part XV of the SFO.
- (2) These shares were held by SOCL through its controlled corporations, comprising 1,725,493,996 shares, 2,756,414,318 shares, and 29,847,937 shares held by SOP, SOI, and NRI, respectively, whereas SOP was a wholly-owned subsidiary of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 63.27% as of 30 June 2023. 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., 8,027,265,324 shares) of the Company at 30 June 2023.

Save as disclosed above, at 30 June 2023, 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 Option Scheme and Share Award Schemes

Share Option Scheme

A share option scheme (the "Share Option Scheme") was adopted by the Company on 24 May 2017 for a period of 10 years commencing on the adoption date and ending on 23 May 2027. No share option has been granted under the Share Option Scheme since its adoption.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued shares of the Company at the adoption date or 30% of the issued shares of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit exceeded. At the beginning and the end of the six months ended 30 June 2023, the number of shares available for issue in respect thereof is 802,663,018 shares.

Shares Award Schemes

The connected employee share award scheme (the "Connected Employee Share Award Scheme") and the employee share award scheme (the "Employee Share Award Scheme") (collectively, the "Share Award Schemes") were adopted by the Company on 1 April 2015. The Connected Employee Share Award Scheme was adopted for chief executive officers, directors, or employees who are connected persons of the Company. The Employee Share Award Scheme was adopted for employees other than those covered under the Connected Employee Share Award Scheme.

On 1 April 2015, a total of 17,149,000 award shares of the Company were granted to 15 connected employees^(Note) of the Group under the Connected Employee Share Award Scheme and a total of 7,705,000 award shares of the Company were granted to 13 employees of the Group under the Employee Share Award Scheme 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 period from 2014 to 2016. The key performance measures were taken with reference to the Group's financial performance and strategic growth. All awarded shares disclosed above were either vested in tranches or lapsed between 2015 and 2019. At the beginning and the end of the six months ended 30 June 2023, there are no unvested awards granted under the Share Award Schemes.

Save as disclosed above and up to 30 June 2023, no award has been granted to any connected employees and employees of the Group under the Share Award Schemes. During the six months ended 30 June 2023, no award under the Share Award Schemes was cancelled or lapsed.

The Company shall not make any further grant of award which will result in the total number of award shares granted under the Share Award Schemes to exceed 5% of the total number of issued shares of the Company from time to time. 7,143,750 award shares of the Company (excluding the 17,710,250 shares lapsed and held in the trusts for the Share Award Schemes, which comprise 13,725,875 shares for grant under the Connected Employees Share Award Scheme and 3,984,375 shares for grant under the Employee Share Award Scheme) were utilised under such scheme mandate since the adoption of the Share Award Schemes. Accordingly, the total number of award shares available for grant under the Share Award Schemes at the beginning and the end of the six months ended 30 June 2023 (based on the then issued shares of the Company) were both 394,219,516 award shares.

The number of shares that may be issued in respect of options and awards granted under the Share Option Scheme and the Share Award Schemes during the six months ended 30 June 2023 divided by the weighted average number of Shares in issue for the six months ended 30 June 2023 is not applicable since there was no grant of options or awards during the period.

Note: The 15 connected employees of the Group were Mr. Daniel Yim Keung Wan, Mr. Philip Kun To Wong, Mr. Tang Ka Wah, Mr. Charles Wing Ming Chan, Ms. Jessica Ying Wang, Mr. Matthew Qing Guo, Mr. Willie Kim Lun Uy, Mr. Bryan Kin Wang Chan, Mr. Timmy Tat Man Leung, Mr. Adam Kim Fung Li, Mr. Dixon Man, Mr. Allan Bin Zhang, Ms. Sarah Ying Xian Zhang, Mr. Alfred Jun Ao Wu, and Mr. Frankie Kwok Fai Lai. Mr. Daniel Yim Keung Wan, Mr. Philip Kun To Wong, Mr. Tang Ka Wah, Mr. Charles Wing Ming Chan, Mr. Bryan Kin Wang Chan, Mr. Alfred Jun Ao Wu, and Mr. Frankie Kwok Fai Lai have left the Group. Mr. Matthew Qing Guo left the Group in 2018 and rejoined the Group in 2022. The award shares granted but unvested to Mr. Guo lapsed in 2018 when he left the Group.

Corporate Governance

The Company reviews its corporate governance practices from time to time to ensure it complies with all the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) contained 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 2023, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code, except for a deviation as specified in the section headed “Annual General Meeting” below.

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 2023.

To comply with 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 employment.

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 2023.

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”). Mr. Gregory K. L. SO (“Mr. So”) and Ms. Randy W. S. LAI (“Ms. Lai”) were appointed as INEDs of the Company with effect from 1 July 2023. Subsequent to Mr. David J. SHAW’s retirement as an INED of the Company at the conclusion of the annual general meeting of the Company held on 24 May 2023 (the “2023 AGM”) and as of the date of this report, the Board comprises twelve members in total, with four Executive Directors and eight INEDs.

In conformity with the Board Diversity Policy adopted by the Company, the composition of the Board reflects the necessary balance of gender, 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 established and set out in writing for the delegation of day-to-day operational responsibility to the management of the Company.

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive of the Company are separated and performed by Mr. Lo and Ms. Wang, respectively. The division of responsibilities between the Chairman and the Chief Executive is established and set out in writing, a copy of which has been published on the Company's website.

Board Committees

The Board has established five Board committees with defined terms of reference, namely the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee, and the Strategy Committee, for overseeing particular aspects of the Company's affairs.

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 makes recommendations to the Board on the appointment, reappointment, and removal of the external auditor.

The Audit and Risk Committee consists of four members, namely Professor Gary C. BIDDLE ("Professor Biddle"), Dr. Roger L. McCARTHY ("Dr. McCarthy"), Mr. Albert K. P. NG ("Mr. Ng"), and Mr. So, 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 2023, including the accounting principles and practices and internal control systems adopted by the Company. The Audit and Risk Committee does not disagree 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 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. Shane S. TEDJARATI ("Mr. Tedjarati"), Professor Biddle, and Ms. Lo. Mr. Tedjarati and Professor Biddle are INEDs. The Chairman of the Nomination Committee is Mr. Tedjarati.

Sustainability Committee

The Sustainability Committee was established to assist the Board in producing enhanced shareholder value by providing ongoing insights into sustainable development trends and market practices and to advise the Board on the development and implementation of the sustainable development strategy of the Group and compliance with the Environmental, Social and Governance (“ESG”) Reporting Guide or such equivalent guide, practice note or code set out in the Listing Rules and amended from time to time and other third party’s ESG disclosure requirements.

The Sustainability Committee consists of five members, namely Ms. Ya Ting WU (“Ms. Wu”), Dr. McCarthy, Ms. Lai, Ms. Lo, and Ms. Wang. Ms. Wu, Dr. McCarthy, and Ms. Lai are INEDs. The Chairman of the Sustainability Committee is Ms. Wu.

Strategy Committee

The Strategy Committee was established to provide guidance on the long-term strategic positioning, the vision plan, and the medium to long-term challenges of the Group and review and make recommendations to the Board on the formulation of the near to medium-term strategic focus.

The Strategy Committee consists of seven members, namely Mr. Lo, Mr. Tedjarati, Professor Biddle, Mr. Nightingale, Mr. Ng, Ms. Lo, and Mr. Sung. Mr. Tedjarati, Professor Biddle, Mr. Nightingale, and Mr. Ng are INEDs. The Co-chairs of the Strategy Committee are Mr. Lo and Mr. Tedjarati.

Induction, Training, and Continuing Development for Directors

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities. During the six months ended 30 June 2023, the Directors attended three training sessions organised by the Company and perused two ESG-related articles and the Stock Exchange’s consultation paper on the enhancement of climate disclosure provided by the Company.

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

Annual General Meeting

The Chairman of the Board, most of the Directors, the Chairmen of the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee, and the Strategy Committee, or in their absence, another member of the committees and the external auditor were present at the 2023 AGM and the meeting provided a useful forum for shareholders to exchange views with the Board. Code provision C.1.6 of the CG Code stated that independent non-executive directors and other non-executive directors should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Tedjarati and Ms. Wu, who are INEDs, could not attend the 2023 AGM due to other business engagements. Save for the above, all the INEDs attended the 2023 AGM.

Purchase, Sale, or Redemption/Cancellation of Listed Securities

Neither the Company nor its subsidiaries have purchased, sold, or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

Disclosure under Rule 13.21 of the Listing Rules

On 12 November 2019, a written agreement (the “2023 SODH Indenture”) was entered into between the Company as guarantor, SODH as issuer, and DB Trustee (Hong Kong) Limited (“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 24 November 2020, the Company and SODH entered into a purchase agreement with UBS AG Hong Kong Branch in connection with the further issue of USD200 million in 5.75% senior notes due 2023 (the “Additional USD Notes”), which were consolidated and formed a single series with the 2023 SODH Notes. The Additional USD Notes were issued pursuant to the 2023 SODH Indenture. Details of the transaction were set out in the announcement of the Company dated 2 December 2020.

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 USD500 million in 5.70% senior notes due 2021 (the “2021 Notes”) and USD500 million in 6.25% senior notes due 2021 (the “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 the 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 principal 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.

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.

On 29 June 2021, a written agreement (the “2026 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 2026 issued by SODH (the “2026 SODH Notes”), pursuant to which the 2026 SODH Notes were issued. The 2026 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2026 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2026 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 29 June 2021.

Any breach of the above obligations will cause a default in respect of the 2023 SODH Notes, the 2024 SODH Notes, the 2025 SODH Notes, and the 2026 SODH Notes, which may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB4,619 million at 30 June 2023.

Employees and Remuneration Policy

As of 30 June 2023, the number of employees in the Group was 3,084 (31 December 2022: 3,098); which included the headcount of the property management business at 1,541 (31 December 2022: 1,545), and the headcount of the construction and fitting out business at 151 (31 December 2022: 172). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, long-term incentive schemes, 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)
Ms. Stephanie B. Y. LO
Ms. Jessica Y. WANG (Chief Executive Officer)
Mr. Douglas H. H. SUNG
(Chief Financial Officer and Chief Investment Officer)

Independent Non-executive Directors

Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. Anthony J. L. NIGHTINGALE
Mr. Shane S. TEDJARATI
Ms. Ya Ting WU
Mr. Albert K. P. NG
Mr. Gregory K. L. SO
Ms. Randy W. S. LAI

Audit and Risk Committee

Professor Gary C. BIDDLE (Chairman)
Dr. Roger L. McCARTHY
Mr. Albert K. P. NG
Mr. Gregory K. L. SO

Remuneration Committee

Mr. Anthony J. L. NIGHTINGALE (Chairman)
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

Nomination Committee

Mr. Shane S. TEDJARATI (Chairman)
Professor Gary C. BIDDLE
Ms. Stephanie B. Y. LO

Sustainability Committee

Ms. Ya Ting WU (Chairman)
Dr. Roger L. McCARTHY
Ms. Randy W. S. LAI
Ms. Stephanie B. Y. LO
Ms. Jessica Y. WANG

Strategy Committee

Mr. Vincent H. S. LO (Co-chair)
Mr. Shane S. TEDJARATI (Co-chair)
Professor Gary C. BIDDLE
Mr. Anthony J. L. NIGHTINGALE
Mr. Albert K. P. NG
Ms. Stephanie B. Y. LO
Mr. Douglas H. H. SUNG

Company Secretary

Mr. UY Kim Lun

Auditor

Ernst & Young
Registered Public Interest Entity Auditor

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown

Registered Office

One Nexus Way
Camana Bay
Grand Cayman, KY1-9005
Cayman Islands

Corporate Headquarters

26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
PRC

Place of Business in Hong Kong

34/F, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Branch Share Registrar and Transfer Office

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

Principal Bankers

Bank of Communications Co., Limited
Bank of China Limited
China Merchants Bank Co., Limited
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Co., Limited
United Overseas Bank Limited

Stock Code

272

Website

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