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瑞安房地產
SHUI ON LAND

Shui On Land Limited

瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 272)

Announcement of 2019 Interim Results

HIGHLIGHTS

- **Strong increase in recurrent income:** Rental and related income grew by 17% Y/Y, as the Group continues its transition into a leading commercial focused property company.
- **8% increase in profit attributable to shareholders:** Gross profit margin increased by 18 percentage points to 45% in the first half of 2019 (“1H 2019”) compared to 27% in the first half of 2018 (“1H 2018”). With the higher gross profit margin, profit for the period increased by 8% Y/Y to RMB1,598 million, while profit attributable to shareholders also rose 8% Y/Y to RMB1,326 million.
- **Maintaining prudent capital management and strong financials:** Net gearing ratio increased slightly by four percentage points to 44% as of 30 June 2019, while cash and bank deposits also increased by 4% to RMB15,992 million. The strong financials shall help the Group to better withstand the volatile macroeconomic conditions in the near future.
- **Increased effective ownership of core commercial portfolio in Shanghai:** The acquisition of Brookfield’s interest in China Xintiandi Holding (“CXTD”) was completed on 15 March 2019. CXTD is a wholly-owned subsidiary of the Group. The acquisition of 5 Corporate Avenue (“5 CA”) by Shui On Land managed Core-Plus Office Investment Venture (“SCOV”), was completed on 20 June 2019. The completion of these two transactions allowed the Group to increase its effective ownership of commercial properties located in the prime city areas of Shanghai. The Group currently holds and manages a total GFA of 1.65 million sq.m. of retail and office space in Shanghai (the “Shanghai Portfolio”), in which 53% of the GFA was completed for rental income and the remaining is under development. As of 30 June 2019, the total portfolio asset value of the Shanghai Portfolio was approximately RMB73 billion, while the Group’s overall effective interest in this portfolio was 57%. Total asset value attributable to the Group was approximately RMB42 billion, an increase of 24% compared to RMB34 billion as of 31 December 2018.

Website: www.shuionland.com

PERFORMANCE HIGHLIGHTS

	1H 2019	1H 2018	Year-on-Year Growth/ (Decline)
Consolidated rental and related income (RMB'million)	1,107	948	17%
Contracted sales (RMB'million)	3,422	13,728	(75%)

Selected Financial Information (RMB'million)

Revenue	7,902	19,032	(58%)
Property sales recognised as revenue (excluding RHXC Lots 1 & 7)	5,106	2,899	76%
Gross profit	3,578	5,171	(31%)
Profit for the period	1,598	1,479	8%
Profit attributable to shareholders of the Group	1,326	1,225	8%

Selected Financial Ratios

Gross profit margin	45%	27%	18ppt
Net profit margin	20.2%	7.8%	12.4ppt
Earnings per share (basic), RMB cents	16.4	15.2	8%

	30 June 2019	31 December 2018	Changes
Selected Balance Sheet Data (RMB'million)			
Total assets	107,266	110,250	(3%)
Cash and bank deposits	15,992	15,392	4%
Total indebtedness	36,976	34,269	8%
Net debt	20,984	18,877	11%
Total equity	48,026	47,219	2%
Net gearing (Net debt-to-equity ratio), at the end of period	44%	40%	4ppt
Average cost of indebtedness, at the end of period	5.6%	5.5%	0.1ppt

Landbank (GFA, million sq.m.)

Total leasable and saleable landbank	6.7	6.8	(1.5%)
Attributable leasable and saleable landbank	4.2	4.3	(2.3%)

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2019 (Unaudited)		Six months ended 30 June 2018 (Unaudited)	
		HKD'million (Note 2)	RMB'million	HKD'million (Note 2)	RMB'million
Revenue					
- The Group	4	9,151	7,902	23,360	19,032
- Share of joint ventures		51	44	49	40
		9,202	7,946	23,409	19,072
Revenue of the Group	4	9,151	7,902	23,360	19,032
Cost of sales		(5,008)	(4,324)	(17,013)	(13,861)
Gross profit		4,143	3,578	6,347	5,171
Other income		247	213	178	145
Selling and marketing expenses		(89)	(77)	(178)	(145)
General and administrative expenses		(527)	(455)	(542)	(442)
Operating profit		3,774	3,259	5,805	4,729
Increase in fair value of investment properties		108	93	49	40
Other gains and losses	5	(154)	(133)	(685)	(558)
Share of gains (losses) of joint ventures and associates		31	27	(5)	(4)
Finance costs, inclusive of exchange differences	6	(1,005)	(868)	(1,159)	(944)
Reversal (provision) of impairment losses under expected credit loss model		208	180	(225)	(183)
Profit before taxation	7	2,962	2,558	3,780	3,080
Taxation	8	(1,112)	(960)	(1,965)	(1,601)
Profit for the period		1,850	1,598	1,815	1,479
Attributable to:					
Shareholders of the Company		1,535	1,326	1,503	1,225
Owners of convertible perpetual capital securities		66	57	66	54
Owners of perpetual capital securities		153	132	154	125
Non-controlling shareholders of subsidiaries		96	83	92	75
		315	272	312	254
		1,850	1,598	1,815	1,479
Earnings per share	10				
Basic		HKD19.0 cents	RMB16.4 cents	HKD18.7 cents	RMB15.2 cents
Diluted		HKD18.4 cents	RMB15.9 cents	HKD18.1 cents	RMB14.8 cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	Six months ended 30 June 2019 (Unaudited)		Six months ended 30 June 2018 (Unaudited)	
	HKD'million (Note 2)	RMB'million	HKD'million (Note 2)	RMB'million
Profit for the period	1,850	1,598	1,815	1,479
Other comprehensive income (expense)				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	-	-	4	3
Fair value adjustments on currency forward contracts designated as cash flow hedges	(221)	(191)	369	301
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	227	196	(393)	(320)
Share of other comprehensive (expense) income of a joint venture	(21)	(18)	37	30
Items that will not be reclassified subsequently to profit or loss:				
Gain on revaluation of properties transferred from property, plant and equipment to investment properties, net of tax	-	-	10	8
Other comprehensive (expense) income for the period	(15)	(13)	27	22
Total comprehensive income for the period	1,835	1,585	1,842	1,501
Total comprehensive income attributable to:				
Shareholders of the Company	1,520	1,313	1,530	1,247
Owners of convertible perpetual capital securities	66	57	66	54
Owners of perpetual capital securities	153	132	154	125
Non-controlling shareholders of subsidiaries	96	83	92	75
	315	272	312	254
	1,835	1,585	1,842	1,501

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

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

Notes to the condensed consolidated financial statements:

1. General

The condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standard Board.

2. Presentation

The Hong Kong dollar figures presented in the condensed consolidated statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.1580 for the six months ended 30 June 2019 and RMB1.000 to HKD1.2274 for the six months ended 30 June 2018, being the average exchange rates that prevailed during the respective periods.

3. Principal Accounting Policies

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

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

Application of new and amendments to IFRS Standards

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

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

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

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

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

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

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

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 - continued

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 - continued

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

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

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

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

The cost of right-of-use asset includes:

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

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

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

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 - continued

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 - continued

As a lessee - continued

Leasehold land and building

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 - continued

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 - continued

As a lessee - continued

Lease modifications

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

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

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

Taxation

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

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

As a lessor

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Sublease

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

Lease modification

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

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 - continued

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

Definition of a lease

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

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

As a lessee

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

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

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

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

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

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

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 - continued

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 - continued

As a lessee - continued

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

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

As a lessor

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

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

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 - continued

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 - continued

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

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

Notes:

- (a) In relation to the lease of a property that the Group acts as lessee that meets the definition of investment property in IAS 40, the investment property is initially measured at fair value amounted to RMB73 million, which are presented within "investment properties" as at 1 January 2019.
- (b) Upfront payments for leasehold lands in the People's Republic of China ("PRC") were classified as prepaid lease payments and included as other non-current assets as at 31 December 2018. Upon application of IFRS 16, the prepaid lease payments amounting to RMB31 million were reclassified to right-of-use assets.

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

4A. Revenue Information

Disaggregation of revenue from contracts with customers under IFRS 15.

	For the six months ended 30 June	
	<u>2019</u>	<u>2018</u>
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Property development:		
Property sales	6,376	17,880
Property management fee income and other income	<u>38</u>	<u>8</u>
	<u>6,414</u>	<u>17,888</u>
Property investment:		
Income from hotel operations	44	48
Property management fee income	<u>108</u>	<u>49</u>
	<u>152</u>	<u>97</u>
Construction	197	48
Others	<u>140</u>	<u>100</u>
	<u>6,903</u>	<u>18,133</u>
Geographical markets		
Shanghai	5,514	17,874
Wuhan	22	10
Chongqing	159	168
Foshan	<u>1,208</u>	<u>81</u>
	<u>6,903</u>	<u>18,133</u>
Timing of revenue recognition		
A point in time	6,376	17,880
Over time	<u>527</u>	<u>253</u>
	<u>6,903</u>	<u>18,133</u>

4A. Revenue Information - continued

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

	<u>For the six months ended 30 June 2019</u>		
	<u>The Group</u>	<u>Share of</u> <u>joint ventures</u>	<u>Total</u>
	RMB'million	RMB'million	RMB'million
Property development:			
Property sales	6,376	-	6,376
Property management fee income and other income	38	-	38
	<u>6,414</u>	<u>-</u>	<u>6,414</u>
Property investment:			
Income from hotel operations	44	-	44
Property management fee income	108	-	108
	<u>152</u>	<u>-</u>	<u>152</u>
Construction	197	-	197
Others	140	-	140
	<u>6,903</u>	<u>-</u>	<u>6,903</u>
Revenue from contracts with customers	6,903	-	6,903
Rental income received from investment properties (property investment segment)	892	44	936
Rental related income (property investment segment)	107	-	107
	<u>7,902</u>	<u>44</u>	<u>7,946</u>
Total	<u>7,902</u>	<u>44</u>	<u>7,946</u>

4A. Revenue Information - continued

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

	<u>For the six months ended 30 June 2018</u>		
	<u>The Group</u>	Share of	<u>Total</u>
	RMB'million	joint ventures	RMB'million
		RMB'million	RMB'million
Property development:			
Property sales	17,880	-	17,880
Property management fee income and other income	8	-	8
	<u>17,888</u>	<u>-</u>	<u>17,888</u>
Property investment:			
Income from hotel operations	48	-	48
Property management fee income	49	-	49
	<u>97</u>	<u>-</u>	<u>97</u>
Construction	48	-	48
Others	100	-	100
	<u>18,133</u>	<u>-</u>	<u>18,133</u>
Revenue from contracts with customers	18,133	-	18,133
Rental income received from investment properties (property investment segment)	828	40	868
Rental related income (property investment segment)	71	-	71
	<u>19,032</u>	<u>40</u>	<u>19,072</u>
Total	19,032	40	19,072

4B. Segmental Information

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

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

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

4B. Segmental Information – continued

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

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

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

5. Other Gains and Losses

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

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

6. Finance Costs, Inclusive of Exchange Differences

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

7. Profit before Taxation

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

8. Taxation

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

No provision for Hong Kong Profits Tax has been made as the profit of the Group neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (for the six months ended 30 June 2018: 25%) on the assessable profits of the companies in the Group during the period.

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

9. Dividends

	Six months ended 30 June	
	2019	2018
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Final dividend paid in respect of 2018 of HKD0.084 (2018: 2017 final dividend of HKD0.07) per share	<u>595</u>	<u>461</u>
Interim dividend declared after period end in respect of 2019 of HKD0.036 (2018: 2018 interim dividend of HKD0.036) per share	<u>262</u>	<u>253</u>

Subsequent to the end of the interim period, the Board has declared the payment of HKD0.036 (equivalent to RMB0.033) per share, amounting to HKD290 million (equivalent to RMB262 million) in aggregate as the interim dividend with respect to 2019.

A final dividend for the year ended 31 December 2018 of HKD0.084 (equivalent to RMB0.074 translated using the exchange rate of 0.87877 as at 3 June 2019) per share, amounting to HKD677 million (equivalent to RMB595 million translated using the exchange rate of 0.87877 as at 3 June 2019) in aggregate, was approved at the annual general meeting on 31 May 2019 and paid in June 2019.

10. 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:

	Six months ended 30 June 2019	2018
	RMB'million (Unaudited)	RMB'million (Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share, being profit for the period attributable to shareholders of the Company	1,326	1,225
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities	57	54
	<u>1,383</u>	<u>1,279</u>
Earnings for the purpose of diluted earnings per share		
	<u>1,383</u>	<u>1,279</u>
	Six months ended 30 June 2019	2018
	'million (Unaudited)	'million (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share <i>(note (a))</i>	8,044	8,043
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities	661	619
Outstanding share awards <i>(note (c))</i>	-	2
Outstanding share options <i>(note (d))</i>	-	1
	<u>8,705</u>	<u>8,665</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		
	<u>8,705</u>	<u>8,665</u>
Basic earnings per share <i>(note (b))</i>	RMB16.4 cents HKD19.0 cents	RMB15.2 cents HKD18.7 cents
Diluted earnings per share <i>(note (b))</i>	RMB15.9 cents HKD18.4 cents	RMB14.8 cents HKD18.1 cents

Notes:

- (a) The weighted average number of ordinary shares shown above has been arrived at after deducting 17,710,250 (six months ended 30 June 2018: 19,191,965) shares held by a share award scheme trust.
- (b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.158 for the six months ended 30 June 2019 and RMB1.000 to HKD1.2274 for the six months ended 30 June 2018, being the average exchange rates that prevailed during the respective periods.
- (c) There was no dilution effect for share awards for the six months ended 30 June 2019 as all awarded shares have been vested as of 30 June 2019.
- (d) There was no dilution effect for outstanding share options for the six months ended 30 June 2019 as the exercise prices of these share options were higher than the average market price of the Company's shares per share for the six months ended 30 June 2019.

11. Accounts Receivable, Deposits and Prepayments

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

Note:

The balances represent the amounts that will be capitalised to properties under development for sale as soon as the relocation is completed. Such relocation process in respect of the land portion which will be developed for sale is in accordance with the Group's normal operating cycle and accordingly the related relocation costs are classified as current assets.

Trade receivables comprise:

- (i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sale and purchase agreements;
- (ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and
- (iii) receivables arising from construction revenue of which a credit term of 40 days are granted to the customers.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB137 million (31 December 2018: RMB154 million), of which 39% (2018: 52%) are aged less than 90 days, and 61% (2018: 48%) are aged over 90 days, as compared to when revenue was recognised.

12. Accounts Payable, Deposits Received and Accrued Charges

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

Note:

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

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

BUSINESS REVIEW

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

Key Achievements in 1H 2019

- Completion of the acquisition of Brookfield’s interest in China Xintiandi Holding (“CXTD”) on 15 March 2019. CXTD is now a wholly-owned subsidiary of the Group.
- Completion of the acquisition of 5 Corporate Avenue (“5 CA”) by Shui On Land managed Core-Plus Office Investment Venture (“SCOV”) on 20 June 2019.
- The completion of the above two transactions allowed the Group to increase its effective ownership of commercial properties located in the prime city area of Shanghai. Total asset value attributable to the Group increased by 24% to RMB42 billion as of 30 June 2019 compared to last year end.
- Grand opening of Shanghai Xintiandi Plaza post-completion of its asset enhancement initiative (“AEI”) in May 2019 with an occupancy rate of 97%.
- Soft opening of Wuhan HORIZON North Shopping Mall in May 2019 with an occupancy rate of 92%.

A market leader in Shanghai Commercial Property Portfolio

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

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

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

INVESTMENT PROPERTY PERFORMANCES

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

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

Rental and related income, occupancy rate of the investment properties

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

Project	Product	Leasable GFA sq.m.	Rental & related income RMB'million		Changes %	Occupancy rate		Changes ppt
			1H 2019	1H 2018		30 Jun 2019	31 Dec 2018	
Shanghai Taipingqiao								
Shanghai Xintiandi	Office/ Retail	44,000 ¹	184	200	(8%)	97%	100%	(3)
Xintiandi Style	Retail	26,000	54	46	17%	99%	100%	(1)
Shui On Plaza & Xintiandi Plaza	Office / Retail	52,000 ²	98	46	113%	97%	87%	10
THE HUB	Office/ Retail	263,000	230	191	20%	97%	91%	6
Shanghai KIC	Office/ Retail/ Hotel	243,000	226	208	9%	94%	96%	(2)
INNO KIC ³	Office/ Retail	45,000	4	-	-	22%	-	-
Wuhan Tiandi	Retail	238,000 ⁴	151	128	18%	89%	87%	2
Foshan Lingnan Tiandi	Office/ Retail	151,000	126	100	26%	86%	86%	-
Chongqing Tiandi	Retail	131,000	29	29	-	53% ⁵	59%	(6)
Nanjing INNO Zhujiang Lu	Office/ Retail	16,000 ⁶	5	-	-	56%	-	-
Consolidated rental and related income		1,209,000	1,107	948	17%			
Shanghai RHXC								
(Classified as joint venture income in 1H 2019)	Retail	111,000	88	81	9%	79% ⁷	94%	(15)
Shanghai Taipingqiao								
5 Corporate Avenue (Classified as associate income in 1H 2019)	Office/Retail	79,000	7 ⁸	-	-	97%	-	-
Grand Total		1,399,000⁹	1,202	1,029	17%			

Notes:

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

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

³ INNO KIC was newly opened in April 2019.

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

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

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

Notes:

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

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

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

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

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

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

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

Since its grand opening in December 2016, the NOVA shopping mall at Foshan Lingnan Tiandi has seen its occupancy levels increase, reaching 100% as of 30 June 2019, and the occupancy rate for Lingnan Tiandi was 90%. The rental and related income generated from these two properties reached RMB126 million in 1H 2019, an increase of 26% compared to 1H 2018. The strong performance was due to stronger shoppers' traffic and retail sales growth as well as positive rental reversion achieved during the period.

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

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

Valuation of the investment property portfolio

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

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

Project	Leasable GFA	Increase /(decrease) in fair value for 1H 2019	Carrying value as of 30 June 2019	Valuation gain /(loss) to carrying value	Attributable carrying value to the Group
	sq.m.	RMB'million	RMB'million		RMB'million
Completed investment properties at valuation					
<i>Shanghai Taipingqiao</i>					
Shanghai Xintiandi and Xintiandi Style	70,000	-	6,985	-	6,965
Shui On Plaza (Office) and Xintiandi Plaza	52,000	60	4,300	1.4%	3,481
THE HUB	263,000	23	8,970	0.3%	8,970
Shanghai KIC	243,000	66	8,132	0.8%	3,755
INNO KIC	45,000	1	1,423	0.1%	1,423
Wuhan Tiandi	238,000	-	7,162	-	7,162
Foshan Lingnan Tiandi	151,000	3	4,329	0.1%	4,329
Chongqing Tiandi	131,000	(57)	1,769	(3.2%)	1,752
Sub-total	1,193,000	96	43,070	0.2%	37,837
Investment properties under development at valuation					
<i>Shanghai Taipingqiao</i>					
XTD South Block AEI Phase1 ¹	10,000	-	562	-	562
Investment property - sublease of right-of-use assets					
Nanjing INNO Zhujiang Lu	16,000	(3)	112		112
Grand Total	1,219,000²	93	43,744		38,511

Notes

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

² Hotels for operation and self-use properties are classified as property, plant and equipment in the condensed consolidated statement of financial position, and leasable GFA of which is excluded from this table.

PROPERTY DEVELOPMENT

Property Sales

Recognised Property Sales

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

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

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

Notes:

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

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

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

⁴ Sales of commercial properties are recognised as “revenue” if the properties concerned are designated for sale prior to the commencement of development. Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as “disposal of investment properties”.

Contracted Property Sales, Other Asset Disposal, Subscribed Sales and Locked-in Sales

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

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

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

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

Project	1H 2019			1H 2018		
	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	-	-	-	2,266	15,100	150,100
Shanghai RHXC	16	150	106,700	217	2,100	103,300
Wuhan Tiandi	72	1,900	37,900	-	-	-
Wuhan Optics Valley Innovation Tiandi	541	36,400	14,900	-	-	-
Chongqing Tiandi ¹	2,488	136,150	22,300	2,547	138,500	22,400
Foshan Lingnan Tiandi	95	4,900	19,400	837	44,500	18,800
Carparks and others	65	-	-	41	-	-
Subtotal for residential property sales	3,277	179,500	18,300	5,908	200,200	29,500
Commercial property sales:						
Shanghai RHXC	-	-	-	20	450	44,400
Chongqing Tiandi	62	7,300	8,500	38	1,400	27,100
Foshan Lingnan Tiandi	83	1,600	51,900	13	250	52,000
Subtotal for commercial property sales	145	8,900	16,300	71	2,100	33,800
Other asset disposal:						
Dalian Tiandi ²	-	-	-	3,160	-	-
Shanghai RHXC ³	-	-	-	4,589	-	-
Subtotal for other asset disposal	-	-	-	7,749	-	-
Grand total	3,422	-	-	13,728	-	-

Notes:

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

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

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

Residential GFA Available for Sale and Pre-sale in 2H 2019

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

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

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

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

Residential properties under development

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

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

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

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

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

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

Commercial properties under development

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

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

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

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

Landbank

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

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

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

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

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

Notes:

- ¹ The Group has a 99.00% interest in all the remaining lots, except for Shanghai Xintiandi, Shui On Plaza including Xintiandi Plaza, 15th floor in Shui On Plaza, 5 CA and Lot 116, in which the Group has an effective interest of 100.00%, 80.00%, 100.00%, 44.55% and 98.00%, respectively.
- ² The Group has a 99.00% effective interest in all the remaining lots, except for The Palette 3, Hall of the Stars, Hall of the Moon, in which the Group has an effective interest of 49.50%.
- ³ The Group has a 44.27% effective interest in all the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 50.49%.
- ⁴ The Group has a 99.00% effective interest in all the remaining lots, except for Lot B15 in which the Group has an effective interest of 19.80%.
- ⁵ The Group has a 99.00% interest in Lot 118 for residential use, a 100.00% interest in Shanghai Xintiandi AEI Phase 1 and 25% interest in Lots 123, 124 & 132 for office and retail uses.
- ⁶ The Group has a 49.50% effective interest in Lot 10 for office and retail uses and Lots 1 & 7 for residential use, and 49.00% interest in Lot 167A for residential use.

FINANCIAL REVIEW

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

Core earnings of the Group are as follows:

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

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

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

- Dividends payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company's shares) should not exceed 60% of the Company's consolidated profit for the two most recent semi-annual periods prior to payment of the dividend, unless certain conditions pursuant to the terms of the senior notes have been met.
- In the case where the Company opts to defer the payment of coupons to the owners of perpetual capital securities, no dividend payments should be made to the shareholders of the Company unless all coupons deferred have been paid in full.

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

Major Acquisition and Disposal

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

Details of the 1H 2019 transactions are outlined below:

- 1) In December 2018, the Group entered into an agreement with Brookfield, an affiliate of Brookfield Asset Management Inc., to acquire 21.894% interest held by Brookfield in CXTD for a consideration of approximately RMB3,406 million. On 15 March 2019, the transaction was completed. For details, please refer to the circular issued by the Company dated 20 February 2019.
- 2) In December 2018, the Group established SCOV with Manulife Investors and China Life Trustees Limited. The targeted total capital commitment of the office investment platform is USD1.0 billion. The office investment platform's first investment is 5 CA - a prime Grade A office building with an ancillary retail podium and carparks in Taipingqiao, Shanghai. On 20 June 2019, the transaction was completed. For details, please refer to the Company's announcement dated 31 December 2018.
- 3) In May 2019, the Group entered into an agreement with Shui On Building Materials Limited, an indirect wholly-owned subsidiary of SOCAM Development Limited to purchase 58% interest of Great Market Limited for a consideration of approximately RMB147.85 million. Great Market Limited can exercise joint control over and directly owns 60% of the equity interest of Nanjing Jiangnan Cement Company Limited which directly and wholly owns certain parcels of land in Nanjing. The acquisition was completed on 28 June 2019. For details, please refer to the Company's announcement dated 14 May 2019.

Liquidity, Capital Structure and Gearing Ratio

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

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

The structure of the Group's borrowings as of 30 June 2019 is summarised below:

	Total (in RMB equivalent)	Due within one year	Due in more than one year but not exceeding two years	Due in more than two years but not exceeding five years	Due in more than five years
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	11,737	1,078	1,670	3,918	5,071
Bank borrowings – HKD	6,397	3,851	1,240	1,306	-
Bank borrowings – USD	7,396	2,980	3,997	419	-
Senior notes – USD	8,690	1,729	3,482	3,479	-
Senior notes – RMB	2,235	-	2,235	-	-
Receipts under securitisation arrangements – RMB	521	6	9	45	461
Total	36,976	9,644	12,633	9,167	5,532

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

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

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

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

Pledged Assets

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

Capital and Other Development Related Commitments

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

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

The Group's revenue is denominated in RMB. The RMB senior notes issued in 2018 are also denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the senior notes issued in 2018 does not expose the Group to any exchange rate risk.

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and CPCS denominated in USD issued from 2015 to 2019. Thus, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 30 June 2019, the Group has entered approximately USD1,324 million forward to hedge the USD currency risk against RMB and HKD950 million forward to hedge the HKD currency risk against RMB. In addition, from 1 July 2019 till today, the Group has further entered USD120 million forward to hedge the USD currency risk against RMB.

The Group's exposure to interest rate risk results from fluctuations in interest rates. Most of the Group's bank borrowings consist of variable rate debt obligations with original maturities ranging from two to four years for project construction loans, and three to fifteen years for mortgage loans. Increases in interest rates would raise interest expenses relating to the outstanding variable rate borrowings and cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the debt obligations.

Save for disclosed above, as of 30 June 2019, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if indicated.

Contingent Liabilities

- 1) As of 30 June 2019, the Group has outstanding financial guarantees issued to an associate in respect of bank borrowings. The maximum amount that could be paid by the Group if the guarantees were called upon is RMB2,871 million. No such financial guarantee as at 31 December 2018. The financial guarantee were subsequently released in August 2019.
- 2) The Group provided guarantees of RMB1,265 million at 30 June 2019 (31 December 2018: RMB1,398 million) to banks in favour of its customers in respect of mortgage loans provided by banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

MARKET OUTLOOK

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

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

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

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

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

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

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

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

Foshan's economic growth accelerated from 6.3% in 2018 to 6.9% in the first six months of 2019. Under the newly announced Greater Bay Area development plan, Guangzhou-Foshan was highlighted as one of the three major development poles together with Hong Kong-Shenzhen and Macao-Zhuhai, Foshan is set to benefit from an increase in urban population following the recent national policy to relax residency registration requirements for cities with urban populations of 1 to 3 million. This should bode well for Foshan residential market, as more non-local residents will now be eligible to purchase their own homes.

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

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

INTERIM DIVIDEND

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

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 12 September 2019.

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices and to pursuing the right balance between conformance and performance in its corporate governance. The Company reviews its corporate governance practices from time to time to ensure it complies with all the applicable code provisions (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited 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. During the six months ended 30 June 2019, the Company had complied with all the applicable code provisions of the CG Code.

The Audit and Risk Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019, including the accounting principles and practices and internal control system adopted by the Company, in conjunction with the Company's internal and external auditors. The Audit and Risk Committee has no disagreement with the accounting treatments adopted.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2019, the number of employees in the Group was 3,152 (31 December 2018: 3,129); which included the headcount of China Xintiandi at 515 (31 December 2018: 511), the headcount of the property management business at 1,606 (31 December 2018: 1,566), the headcount of the construction and fitting out business at 232 (31 December 2018: 248). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's condensed consolidated statement of financial position as of 30 June 2019, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the period then ended as set out in the preliminary announcement have been extracted from the Group's unaudited condensed consolidated financial statements for the period, which has been reviewed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu in accordance with Hong Kong Standards 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.

THANK YOU

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

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

By Order of the Board
Shui On Land Limited
Vincent H. S. LO
Chairman

Hong Kong, 28 August 2019

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman), Mr. Douglas H. H. SUNG (Chief Financial Officer and Chief Investment Officer) and Ms. Stephanie B. Y. LO; the non-executive director of the Company is Mr. Frankie Y. L. WONG; and the independent non-executive directors of the Company are Sir John R. H. BOND, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY, Mr. David J. SHAW and Mr. Anthony J. L. NIGHTINGALE.

This announcement contains forward-looking statements, including, without limitation, words and expressions such as "expect," "believe," "plan," "intend," "aim," "estimate," "project," "anticipate," "seek," "predict," "may," "should," "will," "would" and "could" or similar words or statements, in particularly statements in relation to future events, our future financial, business or other performance and development, strategy, plans, objectives, goals and targets, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflect our current views with respect to future events, are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including with respect to the following:

- *changes in laws and PRC governmental regulations, policies and approval processes in the regions where we develop or manage our projects;*
- *changes in economic, political and social conditions and competition in the cities we operate in, including a downturn in the property markets;*
- *our business and operating strategies;*
- *our capital expenditure plans;*
- *various business opportunities that we may pursue;*
- *our dividend policy;*
- *our operations and business prospects;*
- *our financial condition and results of operations;*
- *the industry outlook generally;*
- *our proposed completion and delivery dates for our projects;*
- *changes in competitive conditions and our ability to compete under these conditions;*
- *catastrophic losses from fires, floods, windstorms, earthquakes, or other adverse weather conditions, diseases or natural disasters;*
- *our ability to further acquire suitable sites and develop and manage our projects as planned;*
- *availability and changes of loans and other forms of financing;*
- *departure of key management personnel;*
- *performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;*
- *exchange rate fluctuations;*
- *currency exchange restrictions; and*
- *other factors beyond our control.*

This list of important factors is not exhaustive. Additional factors could cause the actual results, performance or achievements to differ materially. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements, which speak only as of the date of this announcement, will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise any forward-looking statements. You should not place undue reliance on any forward-looking information.

** For identification purposes only*