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 2020 Interim Results

HIGHLIGHTS

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

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

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

  - A decline in the fair value of the Group's investment properties and other property assets of approximately RMB1,962 million;
  - Lower leasing income due to, among other factors, the Group's waiver of rental and other reliefs to its tenants owing to the disruption of their businesses by the COVID-19 outbreak;
  - Delay in the construction and handover of residential units to homebuyers due to the COVID-19 outbreak.

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

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

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

Website: www.shuionland.com

PERFORMANCE HIGHLIGHTS

	1H 2020	1H 2019	Year-on-Year Growth/ (Decline)
Grand total rental & related income (RMB'million)	**1,192**	**1,202**	**(1%)**
Contracted sales (RMB'million)	**6,222**	**3,422**	**82%**
Subscribed sales (RMB'million)	**9,201**	**339**	**2614%**
Selected Financial Information (RMB'million)			
Revenue	1,450	7,902	(82%)
Property sales recognised as revenue (excluding RHXC Lots 1 & 7)	161	5,106	(97%)
Consolidated rental and related income	987	1,107	(11%)
Gross profit	964	3,578	(73%)
(Loss)/profit for the period	(1,286)	1,598	(180%)
(Loss)/profit attributable to shareholders of the Company	(1,622)	1,326	(223%)
Selected Financial Ratios			
Gross profit margin	66%	45%	21ppt
Net (loss)/profit margin	(89%)	20%	(109ppt)
(Loss)/earnings per share (basic), RMB cents	(20.2)	16.4	(223%)

	30 June 2020	31 December 2019	Changes
Selected Balance Sheet Data (RMB'million)			
Total assets	110,394	108,416	2%
Cash and bank deposits	13,962	11,859	18%
Total indebtedness	40,429	37,741	7%
Net debt	26,467	25,882	2%
Total equity	45,771	49,307	(7%)
Net gearing (Net debt-to-equity ratio), at the end of period	58%	52%	6ppt
Average cost of indebtedness, at the end of period	4.8%	5.4%	(0.6ppt)
Landbank (GFA, million sq.m.)			
Total leasable and saleable landbank	6.8	6.7	1.5%
Attributable leasable and saleable landbank	4.4	4.3	2.3%

BUSINESS REVIEW

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

Key Achievements in 1H 2020

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

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

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

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

A market leader in Shanghai Commercial Property Portfolio

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

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

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

INVESTMENT PROPERTY PERFORMANCE

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

Including the properties held by joint ventures and associates, the total rental and related income generated from the property portfolio was RMB1,192 million in 1H 2020, of which 76% of the rental and related income was contributed by the portfolio located in Shanghai, with the remaining from other cities in China.

Rental and related income, occupancy rate of the investment properties

The table below provides an analysis of the rental and related income, occupancy rate from investment properties for 1H 2020 and 1H 2019:

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

Notes:

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

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

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

[4] INNO KIC was newly opened in April 2019.

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

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

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

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

[9] A total GFA of 15,000 sq.m. located at Shanghai Shui On Plaza, Shanghai KIC and Foshan Lingnan Tiandi were occupied by the Group and were excluded from the above table.

The performance of Shanghai Xintiandi was affected by the commencement of an AEI in early 2019 for its South Block retail podium, which has a total leasable GFA of 15,000 sq.m., representing 28% of Xintiandi's total leasable GFA. It is to be repositioned as "Xintiandi Style I" and is scheduled to open in 2H 2020.

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

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

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

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

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

The Group currently has two asset light management projects in Nanjing. Nanjing INNO Zhujiang Lu - a predominantly office project - has a total GFA of 16,000 sq.m. under management by the Group, under a long-term lease contract with a third party landlord. The property commenced operation in 2018. The occupancy rate was 70% as of 30 June 2020. Nanjing Baiziting Tiandi has a total GFA of 48,000 sq.m. and is primarily a retail and culture-focused project.

Valuation of the investment property portfolio

The carrying value of the completed and under development investment properties at valuation (excluding hotels for operation, self-use properties and investment property-sublease of right-of-use assets) with a total GFA of 1,886,000 sq.m. was RMB48,586 million as of 30 June 2020. Of this amount, RMB1,505 million (representing 3.1% of the carrying value) arose from decreased fair value during 1H 2020. The properties located in Shanghai, Wuhan, Foshan and Chongqing, respectively, contributed 67%, 13%, 17% and 3% of the carrying value.

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

Project	**Leasable GFA**	**Increase /(decrease) in fair value for 1H 2020**	**Carrying value as of 30 June 2020**	**Fair value gain/(loss) to carrying value**	**Attributable carrying value to the Group**
	sq.m.	RMB'million	RMB'million	%	RMB'million
Completed investment properties at valuation					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	65,000	(7)	6,569	(0.1%)	6,549
Shui On Plaza (Office) and XINTIANDI PLAZA	53,000	(82)	4,248	(1.9%)	3,439
THE HUB	263,000	(124)	8,844	(1.4%)	8,844
Shanghai KIC	243,000	7	8,239	0.1%	3,808
INNO KIC	45,000	24	1,455	1.6%	1,455
Wuhan Tiandi	238,000	(816)	6,365	(12.8%)	6,365
Foshan Lingnan Tiandi	142,000	(138)	4,080	(3.4%)	4,080
Chongqing Tiandi	131,000	(195)	1,588	(12.3%)	1,572
Sub-total	**1,180,000**	**(1,331)**	**41,388**	**(3.2%)**	**36,112**
Investment properties under development at valuation					
Shanghai Taipingqiao					
XTD South Block AEI[1]	15,000	(13)	1,047	(1.2%)	1,047
Shanghai Hong Shou Fang	63,000	(67)	1,917	(3.5%)	1,917
Foshan Lots A/B/C	628,000	(94)	4,234	(2.2%)	4,234
Sub-total	**706,000**	**(174)**	**7,198**	**(2.4%)**	**7,198**
Investment property - sublease of right-of-use assets					
Nanjing INNO Zhujiang Lu	16,000	(5)	109	(4.6%)	109
Grand Total	**1,902,000**[2]	**(1,510)**	**48,695**	**(3.1%)**	**43,419**

Notes

[1] *A total leasable GFA of 15,000 sq.m. was under AEI since March 2019.*

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

PROPERTY DEVELOPMENT

Property Sales

Recognised Property Sales

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

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

	1H 2020			**1H 2019**		
Project	**Sales revenue**	**GFA sold**	**ASP[1]**	**Sales revenue**	**GFA sold**	**ASP[1]**
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential	-	-	-	3,326	25,400	138,300
Shanghai RHXC						
Residential	65	700	98,600	393	4,200	98,800
Retail	42	500	88,000	-	-	-
Foshan Lingnan Tiandi						
Townhouses	-	-	-	21	800	28,800
Low/mid/high-rises	2	100	20,000	860	50,200	18,700
Retail	-	-	-	246	4,780	56,500
Chongqing Tiandi[2]						
Residential	-	-	-	1,428	83,120	22,900
Office & Retail	39	1,800	23,300	93	10,000	9,800
Subtotal	**148**	**3,100**	**50,600**	**6,367**	**178,500**	**38,200**
Carparks and others[2]	117	-	-	180	-	-
Subtotal	**265**	**3,100**	**87,100**	**6,547**	**178,500**	**39,200**
Other asset disposal:						
Shanghai RHXC[3]	-			1,270		
Grand total	**265**			**7,817**		
Recognised as:						
- Property sales in revenue of the Group[4]	**161**			**6,376**		
- Disposal of investment properties[4]	**-**			**13**		
- Revenue of associate	**104**			**1,428**		
Total	**265**			**7,817**		

Notes:

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

2 *ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Commercial sales of RMB28 million and carpark sales of RMB76 million in 1H 2020 were contributed by Chongqing Tiandi partnership portfolio and was recognised as revenue of associate. The Group held 19.8% of the partnership portfolio.*

3 *On 26 June 2018, the Group entered into the agreement to dispose of 49.5% of the interests in certain portfolio of properties in relation to Shanghai RHXC project Lots 1 and 7 residential inventories. The disposal was accounted for the sales of property inventories in the ordinary course of the Group's property business. The revenue of RMB1,270 million was recognised in 2019 upon the clearance of RHXC Lot 7 was completed.*

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

Contracted Property Sales, Subscribed Sales and Locked-in Sales

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

As of 30 June 2020:

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

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

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

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

Notes:

1 *The Group held 49.5% of the properties.*

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

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

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

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

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

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

Residential properties under development

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

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

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

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

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

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

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

Commercial properties under development

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

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

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

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

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

Landbank

As of 30 June 2020 the Group's landbank stood at 9.0 million sq.m. (comprising 6.8 million sq.m. of leasable and saleable area, and 2.2 million sq.m. for clubhouses, car parking spaces and other facilities) spread across eleven development projects located in the prime areas of four major PRC cities, namely: Shanghai, Wuhan, Foshan and Chongqing. The leasable and saleable GFA attributable to the Group was 4.4 million sq.m.. Of the total leasable and saleable GFA of 6.8 million sq.m., approximately 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 2.8 million sq.m. was under development, and the remaining 2.5 million sq.m. was held for future development.

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

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

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

Notes:

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

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

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

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

5 *The Group has a 99.00% interest in Lot 118 for residential use, a 100.00% interest in XTD South Block AEI and 25.00% interest in Lots 123, 124 & 132 for office and retail uses.*

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Taxation recorded a credit amount of RMB689 million in 1H 2020 (1H 2019: charge of RMB960 million). The credit amount of taxation in 1H 2020 was due to the recognition of deferred tax assets deriving from tax losses and the reduction in deferred tax provision relating to the investment properties. PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction. In addition, as a result of the overall implementation of the Asset Light Strategy exercise, the Group has adopted the most appropriate tax rates at which to measure deferred tax, so as to better reflect our current business model and to allow a more accurate representation of our financial statements. The Group will reassess the accounting treatment on an ongoing basis to ensure the adequacy of the related deferred tax provision on those temporary differences.

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

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

Core earnings of the Group are as follows:

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

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

Major Acquisition

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

Liquidity, Capital Structure and Gearing Ratio

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

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

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

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

The structure of the Group's borrowings as of 30 June 2020 is summarised below:

	Total (in RMB equivalent)	**Due within one year**	**Due in more than one year but not exceeding two years**	**Due in more than two years but not exceeding five years**	**Due in more than five years**
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	13,168	1,576	3,302	5,155	3,135
Bank borrowings – HKD	5,387	2,330	1,682	1,375	-
Bank borrowings – USD	9,140	6,099	1,564	1,477	-
Senior notes – USD	9,980	1,879	2,479	5,622	-
Senior notes – RMB	2,239	2,239	-	-	-
Receipts under securitisation arrangements – RMB	515	8	12	55	440
Total	40,429	14,131	9,039	13,684	3,575

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

As of 30 June 2020, the Group's net debt was RMB26,467 million (31 December 2019: RMB25,882 million) and its total equity was RMB45,771 million (31 December 2019: RMB49,307 million). The Group's net gearing ratio was 58% as of 30 June 2020 (31 December 2019: 52%), calculated based on the excess of the sum of senior notes, receipts under securitisation arrangements, bank borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity. Our stable financials should enable the Group to better withstand the uncertainties arising from the ongoing COVID-19 outbreak.

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

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

Pledged Assets

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

Capital and Other Development Related Commitments

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

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

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

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and perpetual capital securities denominated in USD issued from 2017 to 2020. Thus, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 30 June 2020, the Group has entered approximately USD1,430 million and HKD750 million forward or capped forward contracts to hedge the USD and HKD currency risk against RMB. In addition, from 1 July 2020 until today, the Group has further entered HKD300 million forward contracts. The Group continues to monitor closely its exposure to exchange rate risk and may further consider additional derivative financial instruments to hedge against its remaining exposure to exchange rate risk, if necessary.

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

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

Save for disclosed above, as of 30 June 2020, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks and may employ derivative financial instruments to hedge against risk when necessary.

Contingent Liabilities

The Group provided guarantees of RMB910 million at 30 June 2020 (31 December 2019: RMB1,152 million) to banks in favour of its customers in respect of mortgage loans provided by banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

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 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**Six months ended 30 June 2020 (Unaudited)**		Six months ended 30 June 2019 (Unaudited)	
		HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Revenue					
- The Company and its subsidiaries (the "Group")		**1,599**	**1,450**	9,151	7,902
- Share of joint ventures		**46**	**42**	51	44
		1,645	**1,492**	9,202	7,946
Revenue of the Group	*4A*	**1,599**	**1,450**	9,151	7,902
Cost of sales		**(536)**	**(486)**	(5,008)	(4,324)
Gross profit		**1,063**	**964**	4,143	3,578
Other income		**140**	**127**	247	213
Selling and marketing expenses		**(73)**	**(66)**	(89)	(77)
General and administrative expenses		**(503)**	**(456)**	(527)	(455)
Operating profit		**627**	**569**	3,774	3,259
(Decrease) increase in fair value of investment properties		**(1,665)**	**(1,510)**	108	93
Other gains and losses	*5*	**(180)**	**(163)**	(154)	(133)
Share of (losses) gains of associates and joint ventures		**(63)**	**(57)**	31	27
Finance costs, inclusive of exchange differences	*6*	**(891)**	**(808)**	(1,005)	(868)
(Provision) reversal of impairment losses under expected credit loss model		**(6)**	**(6)**	208	180
(Loss)/ profit before taxation	*7*	**(2,178)**	**(1,975)**	2,962	2,558
Taxation	*8*	**760**	**689**	(1,112)	(960)
(Loss)/ profit for the period		**(1,418)**	**(1,286)**	1,850	1,598
Attributable to:					
Shareholders of the Company		**(1,788)**	**(1,622)**	1,535	1,326
Owners of convertible perpetual capital securities		**54**	**49**	66	57
Owners of perpetual capital securities		**151**	**137**	153	132
Non-controlling shareholders of subsidiaries		**165**	**150**	96	83
		370	**336**	315	272
		(1,418)	**(1,286)**	1,850	1,598
(Loss) / earnings per share	*10*				
Basic		**HKD(22.3)cents**	**RMB(20.2)cents**	HKD19.0 cents	RMB16.4 cents
Diluted		**HKD(22.3)cents**	**RMB(20.2)cents**	HKD18.4 cents	RMB15.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2020 (Unaudited)		Six months ended 30 June 2019 (Unaudited)	
	HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
(Loss) /profit for the period	**(1,418)**	**(1,286)**	1,850	1,598
Other comprehensive (loss) income				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	**(1)**	**(1)**	-	-
Fair value adjustments on currency forward contracts designated as cash flow hedges	**(111)**	**(101)**	(221)	(191)
Fair value adjustments on interest rate swaps designed as cash flow hedges	**(1)**	**(1)**	-	-
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**174**	**158**	227	196
Share of other comprehensive loss of a joint venture and an associate	**(18)**	**(16)**	(21)	(18)
Items that will not be reclassified subsequently to profit or loss:				
Gain on revaluation of properties transferred from property, plant and equipment to completed investment properties, net of tax	**22**	**20**	-	-
Other comprehensive income (loss) for the period	**65**	**59**	(15)	(13)
Total comprehensive (loss) income for the period	**(1,353)**	**(1,227)**	1,835	1,585
Total comprehensive (loss)/income attributable to:				
Shareholders of the Company	**(1,728)**	**(1,567)**	1,520	1,313
Owners of convertible perpetual capital securities	**54**	**49**	66	57
Owners of perpetual capital securities	**151**	**137**	153	132
Non-controlling shareholders of subsidiaries	**170**	**154**	96	83
	375	**340**	315	272
	(1,353)	**(1,227)**	1,835	1,585

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

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

Notes to the condensed consolidated financial statements:

1. General

The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

2. Presentation

The Hong Kong dollar figures presented in the condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.1025 for the six months ended 30 June 2020 and RMB1.000 to HKD1.1580 for the six months ended 30 June 2019, being the average exchange rates that prevailed during the respective periods.

3. Changes in Accounting Policies and Disclosures

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

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

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

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

3. Changes in Accounting Policies and Disclosures - continued

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

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

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

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

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

4A. Revenue Information

Disaggregation of revenue from contracts with customers.

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

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:

	Six months ended 30 June 2020		
	The Group RMB'million	Share of Joint Ventures RMB'million	Total RMB'million
Property development:			
Property sales	161	-	161
Property management fee income	42	-	42
	203	-	203
Property investment:			
Income from hotel operations	16	-	16
Property management fee income	90	-	90
	106	-	106
Construction	116	-	116
Others	128	5	133
Revenue from contracts with customers	553	5	558
Rental income received from investment properties (property investment segment)	815	28	843
Rental related income (property investment segment)	82	9	91
Total	1,450	42	1,492

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

	Six months ended 30 June 2019		
	The Group RMB'million	Share of Joint Ventures RMB'million	Total RMB'million
Property development:			
Property sales	6,376	-	6,376
Property management fee income	38	-	38
	6,414	-	6,414
Property investment:			
Income from hotel operations	44	-	44
Property management fee income	108	-	108
	152	-	152
Construction	197	-	197
Others	140	-	140
Revenue from contracts with customers	6,903	-	6,903
Rental income received from investment properties (property investment segment)	892	32	924
Rental related income (property investment segment)	107	12	119
Total	7,902	44	7,946

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

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

4B. Segmental Information – continued

	Six months ended 30 June 2019 (Unaudited)					
	Property development	Property investment	Construction	Reportable segment total	Others	Consolidated
	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

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

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, directors' salaries, interest income, share of (losses) gains of joint ventures and associates, other gains and losses, reversal of impairment losses under expected credit loss model, finance costs inclusive of exchange differences and other unallocated income. This is the measure reported to the chief operating decision makers who are the executive directors of the Company for resource allocation and performance assessment.

5. Other Gains and Losses

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Payable for relocation costs written back	**441**	-
Impairment loss on investment properties under development at cost and properties under development for sale	**(452)**	-
Cost arising from hedging activities	**(66)**	(119)
Premium for tender and exchange of senior notes	**(69)**	-
Changes in fair value of liabilities arising from a rental guarantee arrangement	**(43)**	-
Change in fair value of derivative financial instruments	**32**	-
Gain on disposal of investment properties	**-**	6
Others	**(6)**	(20)
	(163)	(133)

6. Finance Costs, Inclusive of Exchange Differences

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

7. (Loss) / Profit before Taxation

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Operating (loss) / profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**44**	47
Depreciation of right-of-use assets	**16**	8
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and other benefits	**19**	19
	20	20
Other staff costs		
Salaries, bonuses and other benefits	**471**	438
Retirement benefits costs	**11**	22
	482	460
Total employee benefits expenses	**502**	480
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(58)**	(31)
	444	449
Provision for (reversal of) impairment losses		
Accounts receivable	**6**	-
Receivables from disposal of a subsidiary	**-**	(180)
	6	(180)
Cost of properties sold recognised as an expense	**54**	3,746
Reversal of impairment losses on properties held for sale (included in “cost of sales”)	**-**	(1)
Lease payments relating to short-term leases	**12**	10

8. Taxation

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

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

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (for the six months ended 30 June 2019: 25%) on the assessable profits of the companies in the Group during the period.

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

9. Dividends

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Final dividend paid in respect of 2019 of HKD0.084 (2019: 2018 final dividend of HKD0.084) per share	**623**	595

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

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

10. (Loss) / Earnings Per Share

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

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

	Six months ended 30 June	
	2020	2019
	'million	'million
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(note (a))*	**8,044**	8,044
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities *(note (c))*	**-**	661
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,044**	8,705

Basic (loss) / earnings per share (*note (b)*)	**RMB(20.2) cents** **HKD(22.3) cents**	RMB16.4 cents HKD19.0 cents
Diluted (loss) / earnings per share (*note (b)*)	**RMB(20.2) cents** **HKD(22.3) cents**	RMB15.9 cents HKD18.4 cents

Notes:

(a) The weighted average number of ordinary shares shown above has been arrived at after deducting 17,710,250 (six months ended 30 June 2019: 17,710,250) shares held by a share award scheme trust.

(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 HKD1.1025 for the six months ended 30 June 2020 and RMB1.000 to HKD1.1580 for the six months ended 30 June 2019, being the average exchange rates that prevailed during the respective periods.

(c) There was no dilution effect for outstanding share options as the exercise prices of these share options were higher than the average market price of the Company's shares per share for the six months ended 30 June 2020 and 2019, and the effect for convertible perpetual capital securities was anti-dilutive for the six months ended 30 June 2020.

11. Accounts Receivable, Deposits and Prepayments

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

Notes:

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

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

Trade receivables comprise:

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

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and

(iii) receivables arising from construction revenue of which a credit term of 40 days is granted to the customers.

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

12. Accounts Payable, Deposits Received and Accrued Charges

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

Note:

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

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB1,480 million (2019: RMB1,349 million) of which 81% (2019: 84%) are aged less than 30 days, 3% (2019: 1%) are aged between 31 to 90 days, and 16% (2019: 15%) are aged more than 90 days, based on the invoice date.

13. Events after the Reporting Period

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

MARKET OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

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 2020, 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 2020, 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 2020.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2020, the number of employees in the Group was 3,120 (31 December 2019: 3,239); which included the headcount of the property management business at 1,558 (31 December 2019: 1,635), the headcount of the construction and fitting-out business at 202(31 December 2019: 213). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, long-term incentive scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

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

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's condensed consolidated statement of financial position as of 30 June 2020, the condensed consolidated statement of profit or loss, the condensed consolidated statement of 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. Ernst & Young 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.

APPRECIATION

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

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

Hong Kong, 26 August 2020

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; 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;*
- *the effects of Covid-19 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*