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 2017 Interim Results

HIGHLIGHTS

- **Strong revenue growth:** Turnover increased by 185% to RMB10,166 million. The strong growth was driven by robust residential sales contracted in 2016, and from disposing the majority equity interests in the portfolio of 11 parcels in the Chongqing project. In addition to the property sales recognised as turnover, the Group also completed RMB1,021 million of asset disposals recognised under disposal of investment properties. Rental and related income increased by 19% to RMB946 million.

- **Improved margins**: Gross profit margin was up by 20 percentage points to 43% due to more Shanghai residential sales being recognised. Gross profit increased by 449% to RMB4,418 million, while operating profit increased by 611%.

- **Increase in attributable net profit:** Profit for the period was RMB1,168 million in the first half of 2017 (“1H 2017”), compared to RMB1,128 million in the first half of 2016 (“1H 2016”). Profit attributable to shareholders was RMB898 million in 1H 2017, representing a 17% increase compared to RMB768 million in 1H 2016.

- **Strengthened balance sheet:** Net gearing ratio was 57% as at 30 June 2017, representing a decrease of 11 percentage points from 68% as at 31 December 2016 and a decrease of 30 percentage points from the peak of 87% as at 30 June 2015. Cash and bank deposits was RMB17,704 million at the end of the period.

- **Asset light strategy taking shape**: The Group continued to carry out the asset light strategy in 1H 2017 by establishing new partnerships at the Wuhan Optics Valley project, and by disposing majority equity interests in the Chongqing project. This strategy entails the company to leverage on our brand name and management expertises for land acquisition and investment opportunities going forward.

Website: www.shuionland.com

PERFORMANCE HIGHLIGHTS

	1H 2017	1H 2016	Period-on-Period Growth/ (Decline)
Contracted Sales			
Contracted sales (RMB'million)	8,530	16,642	(49%)
Contracted GFA (sq.m.)	1,371,900	740,200	85%
Selected Financial Information (RMB'million)			
Turnover	10,166	3,571	185%
Gross profit	4,418	805	449%
Profit for the period	1,168	1,128	4%
Profit attributable to shareholders of the Group	898	768	17%
Core earnings	1,487	1,321	13%
Selected Financial Ratios			
Gross profit margin	43%	23%	20 ppt
Net profit margin	11%	32%	(21 ppt)
Earnings per share (basic), RMB cents	11.2	9.6	17%

Selected Balance Sheet Data (RMB'million)	30 June 2017	31 December 2016	Changes
Total assets	121,662	122,213	(0%)
Cash and bank deposits	17,704	15,567	14%
Total indebtedness	46,579	47,123	(1%)
Net debt	28,875	31,556	(8%)
Total equity	50,772	46,256	10%
Net gearing (Net debt-to-equity ratio), at the end of period	57%	68%	(11 ppt)
Average cost of indebtedness, at the end of period	5.9%	6.1%	(0.2 ppt)
Landbank (GFA, million sq.m.)			
Total leasable and saleable landbank	9.8	8.6	14%
Attributable leasable and saleable landbank	6.5	7.0	(7%)

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 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**Six months ended 30 June 2017 (Unaudited)**		Six months ended 30 June 2016 (Unaudited)	
		HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Turnover					
- The Group	*4*	**11,525**	**10,166**	4,243	3,571
- Share of associates		**288**	**254**	232	195
		11,813	**10,420**	4,475	3,766
Turnover of the Group	*4*	**11,525**	**10,166**	4,243	3,571
Cost of sales		**(6,516)**	**(5,748)**	(3,286)	(2,766)
Gross profit		**5,009**	**4,418**	957	805
Other income		**233**	**206**	418	352
Selling and marketing expenses		**(161)**	**(142)**	(140)	(118)
General and administrative expenses		**(477)**	**(421)**	(556)	(468)
Operating profit	*5*	**4,604**	**4,061**	679	571
Gain on disposal of investment properties through disposal of subsidiaries		**21**	**19**	559	471
Net increase in fair value of the remaining investment properties		**235**	**207**	617	519
Other gains and losses	*6*	**(9)**	**(8)**	1,373	1,156
Share of losses of associates and joint ventures		**(285)**	**(251)**	(169)	(142)
Finance costs, inclusive of exchange differences	*7*	**(1,138)**	**(1,004)**	(1,417)	(1,193)
Profit before taxation		**3,428**	**3,024**	1,642	1,382
Taxation	*8*	**(2,104)**	**(1,856)**	(302)	(254)
Profit for the period		**1,324**	**1,168**	1,340	1,128
Attributable to:					
Shareholders of the Company		**1,018**	**898**	912	768
Owners of convertible perpetual capital securities		**66**	**58**	65	55
Owners of perpetual capital securities		**206**	**182**	196	165
Non-controlling shareholders of subsidiaries		**34**	**30**	167	140
		306	**270**	428	360
		1,324	**1,168**	1,340	1,128
Earnings per share	*10*				
Basic		**HKD12.7 cents**	**RMB11.2 cents**	HKD11.4 cents	RMB9.6 cents
Diluted		**HKD12.6 cents**	**RMB11.1 cents**	HKD11.4 cents	RMB9.6 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2017 (Unaudited)		Six months ended 30 June 2016 (Unaudited)	
	HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Profit for the period	**1,324**	**1,168**	1,340	1,128
Other comprehensive income (expense)				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	**35**	**31**	(21)	(17)
Fair value adjustments on interest rate swaps designated as cash flow hedges	**-**	**-**	4	3
Fair value adjustments on currency forward contracts designated as cash flow hedges	**(580)**	**(512)**	-	-
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**352**	**311**	4	3
Other comprehensive expense for the period	**(193)**	**(170)**	(13)	(11)
Total comprehensive income for the period	**1,131**	**998**	1,327	1,117
Total comprehensive income attributable to:				
Shareholders of the Company	**825**	**728**	899	757
Owners of convertible perpetual capital securities	**66**	**58**	65	55
Owners of perpetual capital securities	**206**	**182**	196	165
Non-controlling shareholders of subsidiaries	**34**	**30**	167	140
	306	**270**	428	360
	1,131	**998**	1,327	1,117

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 RMB'million (Unaudited)**	31 December 2016 RMB'million (Audited)
Non-current assets			
Investment properties		**54,830**	56,620
Property, plant and equipment		**1,163**	1,845
Prepaid lease payments		**35**	36
Interests in associates		**1,156**	379
Interests in joint ventures		**765**	27
Loans to associates		**1,858**	1,865
Loans to joint ventures		**1,304**	756
Accounts receivable and prepayments	*11*	**757**	737
Amounts due from associates		**2,217**	2,156
Pledged bank deposits		**2,252**	4,024
Derivative financial instruments		**418**	460
Deferred tax assets		**875**	840
		67,630	69,745
Current assets			
Properties under development for sale		**17,550**	21,838
Properties held for sale		**6,231**	4,865
Accounts receivable, deposits and prepayments	*11*	**13,869**	12,492
Amounts due from related companies		**738**	808
Amounts due from joint ventures		**70**	6
Amounts due from customers for contract work		**122**	97
Derivative financial instruments		**-**	343
Pledged bank deposits		**380**	455
Restricted bank deposits		**778**	1,435
Bank balances and cash		**14,294**	9,653
		54,032	51,992
Assets classified as held for sale		**-**	476
		54,032	52,468
Current liabilities			
Accounts payable, deposits received and accrued charges	*12*	**14,983**	18,885
Amounts due to related companies		**305**	412
Amounts due to non-controlling shareholders of subsidiaries		**10**	8
Loan from a non-controlling shareholder of a subsidiary		**157**	-
Tax liabilities		**1,754**	2,242
Bank borrowings - due within one year		**5,216**	6,434
Senior notes		**7,712**	6,023
Derivative financial instruments		**169**	368
Liabilities arising from rental guarantee arrangements		**260**	328
		30,566	34,700
Net current assets		**23,466**	17,768
Total assets less current liabilities		**91,096**	87,513

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Notes	**30 June 2017 RMB'million (Unaudited)**	31 December 2016 RMB'million (Audited)
Capital and reserves			
Share capital		**145**	145
Reserves		**37,771**	37,305
Equity attributable to shareholders of the Company		**37,916**	37,450
Convertible perpetual securities		**1**	1
Convertible perpetual capital securities		**1,345**	1,345
Perpetual capital securities		**7,097**	3,046
Non-controlling shareholders of subsidiaries		**4,413**	4,414
		12,856	8,806
Total equity		**50,772**	46,256
Non-current liabilities			
Accounts payable and accrued charges	*12*	**13**	24
Bank borrowings - due after one year		**24,857**	23,377
Senior notes		**8,794**	11,289
Liabilities arising from rental guarantee arrangements		**172**	271
Deferred tax liabilities		**6,467**	6,274
Defined benefit liabilities		**21**	22
		40,324	41,257
Total equity and non-current liabilities		**91,096**	87,513

Notes to the condensed consolidated financial statements:

1. General

The condensed consolidated financial statements for the six months ended 30 June 2017 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 (“HKEX”) and with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

2. Presentation

The Hong Kong dollar figures presented in the condensed consolidated statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.1337 for the six months ended 30 June 2017 and RMB1.000 to HKD1.1881 for the six months ended 30 June 2016, being the average exchange rates that prevailed during the respective periods.

3A. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 except as described below.

Application of amendments to International Financial Reporting Standards

In the current period, the Group has applied, for the first time, the following new amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for annual periods beginning on 1 January 2017:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS12	As part of the Annual Improvements to IFRSs 2014 - 2016 Cycle

The application of these amendments to IFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3B. Change in Accounting Policy

During the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2016, the Directors of the Company reassessed the Group’s revenue recognition policy under the new strategy of selling properties under development for sale. Previously this had seldom occurred but the Group anticipates in the future this will happen more frequently and become part of the normal course of business. Accordingly, a new accounting policy had been adopted by the Group to apply to such transactions, as described in Annual Report as at 31 December 2016, Note 3 "Revenue Recognition".

3B. Change in Accounting Policy – continued

In the interim financial report of the Group for the six months ended 30 June 2016, the transaction of disposal of equity interest in Foshan Yuan Kang Property Development Co., Ltd was accounted for as disposal of a subsidiary based on its legal form, and a loss on disposal of a subsidiary of RMB15 million was recognised in profit or loss. The comparative financial information for the six months ended 30 June 2016 was restated in order to ensure that the accounting policy is applied consistently throughout the entire year to all transactions belonging to this particular class. In accordance with this newly adopted accounting policy, revenue from the sale of properties under development for sale through disposal of subsidiary amounting to RMB1,842 million and the related cost of sales amounting to RMB1,846 million were recognised during the six months ended 30 June 2016.

4. Turnover and Segmental Information

An analysis of the turnover of the Group and share of turnover of associates for the period is as follows:

	Six months ended 30 June (Unaudited)					
	2017			2016		
	The Group	**Share of associates**	**Total**	The Group	Share of associates	Total
	RMB'million	**RMB'million**	**RMB'million**	RMB'million	RMB'million	RMB'million
Property development:						
Property sales	**9,086**	**237**	**9,323**	2,618	163	2,781
Property investment:						
Rental income received from investment properties	**811**	**17**	**828**	691	32	723
Income from hotel operations	**40**	-	**40**	36	-	36
Property management fee income	**16**	-	**16**	11	-	11
Rental related income	**79**	-	**79**	57	-	57
	946	**17**	**963**	795	32	827
Construction	**107**	-	**107**	122	-	122
Others	**27**	-	**27**	36	-	36
Total	**10,166**	**254**	**10,420**	3,571	195	3,766

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

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

4. Turnover and Segmental Information – continued

	Six months ended 30 June 2017 (Unaudited)					
	Reportable Segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External turnover of the Group	**9,086**	**946**	**107**	**10,139**	**27**	**10,166**
Share of turnover of associates	**237**	**17**	**-**	**254**	**-**	**254**
Total segment revenue	**9,323**	**963**	**107**	**10,393**	**27**	**10,420**
SEGMENT RESULTS						
Segment results of the Group	**3, 574**	**673**	**(2)**	**4,245**	**13**	**4,258**
Interest income						**185**
Other gains and losses						**(8)**
Share of losses of associates and joint ventures						**(251)**
Finance costs, inclusive of exchange differences						**(1,004)**
Net unallocated expenses						**(156)**
Profit before taxation						**3,024**
Taxation						**(1,856)**
Profit for the period						**1,168**

	Six months ended 30 June 2016 (Unaudited)					
	Reportable Segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External turnover of the Group	2,618	795	122	3,535	36	3,571
Share of turnover of associates	163	32	-	195	-	195
Total segment revenue	2,781	827	122	3,730	36	3,766
SEGMENT RESULTS						
Segment results of the Group	253	1,383	(17)	1,619	42	1,661
Interest income						122
Other gains and losses						1,156
Share of losses of associates and joint ventures						(142)
Finance costs, inclusive of exchange differences						(1,193)
Net unallocated expenses						(222)
Profit before taxation						1,382
Taxation						(254)
Profit for the period						1,128

4. Turnover and Segmental Information - continued

Segment revenue represents the turnover of the Group and the share of turnover of associates.

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, emoluments of the Directors of the Company, interest income, other gains and losses, share of losses of associates and joint ventures and finance costs inclusive of exchange differences. This is the measure reported to the chief operating decision makers who are the Executive Directors of the Company for the purpose of resource allocation and performance assessment.

5. Operating Profit

	Six months ended 30 June	
	2017	2016
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Operating profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**54**	79
Release of prepaid lease payments	**1**	3
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and allowances	**8**	19
	9	20
Other staff costs		
Salaries, bonuses and allowances	**373**	349
Retirement benefits costs	**14**	19
Share option expenses	**1**	1
Share award expenses	**6**	4
	394	373
Total employee benefits expenses	**403**	393
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	**(104)**	(105)
	299	288
Cost of properties sold recognised as an expense	**5,391**	2,435
Reversal of impairment loss on properties held for sale and properties under development for sale (included in “cost of sales”)	**(5)**	(19)
Minimum lease payments under operating leases	**8**	12
Interest income	**(185)**	(122)

6. Other Gains and Losses

	Six months ended 30 June	
	2017	2016
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Loss arising from rental guarantee arrangements	**(132)**	(97)
(Decrease)increase in fair value of call option to buy back an investment property	**(42)**	10
Fair value gain on other derivative financial instruments	**88**	43
Bargain purchase gain from acquisition of subsidiaries	**-**	369
Gain on deemed disposal of a joint venture	**-**	498
Gain on sales of beneficial interest in certain properties *(note (i))*	**-**	327
Loss on early redemption of senior notes	**(67)**	-
Gain on disposal of investment properties *(note (ii))*	**145**	6
	(8)	1,156

Notes:

(i) During the six months ended 30 June 2016, the Group has disposed of the right to receive the net proceeds from sales of the Group's certain properties under development for sales to an independent third party (the "purchaser"). Upon the completion of this disposal, the Group has transferred the significant risks and rewards associated with the relevant properties to the purchaser and a gain of RMB327 million was recognised for the six months ended 30 June 2016. Due to certain unforeseeable events, the disposal deal was subsequently terminated on 31 October 2016. The gain was reversed and a loss on termination of sales of beneficial interest of RMB13 million was recognised during the year ended 31 December 2016.

(ii) During the six months ended 30 June 2017, the Group disposed certain retail units located in Shanghai, which were classified as completed investment properties, to an independent third party for a cash consideration after the deduction of value-added tax and transaction cost of RMB542 million, and recognised a gain of RMB153 million on disposal of investment properties for the six months ended 30 June 2017.

During the six months ended 30 June 2017, the Group completed the disposal of a hotel property located in Shanghai, which was classified as assets held for sale as at 31 December 2016, and recognised a loss of RMB8 million.

7. Finance Costs, Inclusive of Exchange Differences

	Six months ended 30 June	
	2017	2016
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**844**	990
Interest on loans from non-controlling shareholders of subsidiaries	**3**	-
Imputed interest of deferred consideration in relation to acquisition of subsidiaries	**81**	72
Imputed interest of deferred consideration in relation to disposal of subsidiaries	**-**	58
Interest on senior notes	**805**	693
Net interest expense from interest rate swaps designated as cash flow hedges	**-**	4
Total interest costs	**1,733**	1,817
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	**(724)**	(986)
Interest expense charged to profit or loss	**1,009**	831
Net exchange (gain) loss on bank borrowings and other financing activities	**(31)**	350
Others	**26**	12
	1,004	1,193

Borrowing costs capitalised during the six months ended 30 June 2017 were calculated by applying a capitalisation rate of approximately 5.1% (for the six months ended 30 June 2016: approximately 5.3%) per annum to expenditure on the qualifying assets.

8. Taxation

	Six months ended 30 June	
	2017	2016
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
The People’s Republic of China (“PRC”) Enterprise Income Tax	**741**	87
PRC Withholding Tax	**15**	4
PRC Land Appreciation Tax	**972**	(22)
Deferred taxation	**128**	185
	1,856	254

No provision for Hong Kong Profits Tax has been made as the income 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 2016: 25%) on the assessable profits of the companies in the Group during the period.

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

9. Dividends

	Six months ended 30 June	
	2017	2016
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Final dividend declared in respect of 2016 of HKD0.039 (2015: HKD0.028) per share	**273**	190
Interim dividend declared in respect of 2017 of HKD0.03 (2016: HKD0.011) per share	**205**	76

Subsequent to the end of the interim period, the Board has declared the payment of HKD0.03 (equivalent to RMB0.026) per share, amounting to HKD241 million (equivalent to RMB205 million) in aggregate as the interim dividend with respect to 2017.

A final dividend for the year ended 31 December 2016 of HKD0.039 (equivalent to RMB0.034 translated using the exchange rate of 0.86792 as at 30 June 2017) per share, amounting to HKD314 million (equivalent to RMB273 million translated using the exchange rate of 0.86792 as at 30 June 2017) in aggregate, was approved at the annual general meeting on 24 May 2017 and paid on 18 July 2017.

10. Earnings Per Share

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

	Six months ended 30 June	
	2017	2016
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share, being profit for the period attributable to shareholders of the Company	**898**	768
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities *(note (c))*	**58**	-
Earnings for the purpose of diluted earnings per share	**956**	768

	Six months ended 30 June	
	2017	2016
	'million	'million
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(note (a))*	**8,002**	8,002
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities *(note (c))*	**574**	-
Outstanding share awards	**17**	18
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,593**	8,020

Basic earnings per share (*note (b)*)	**RMB11.2 cents**	RMB9.6 cents
	HKD12.7 cents	HKD11.4 cents
Diluted earnings per share (*note (b)*)	**RMB11.1 cents**	RMB9.6 cents
	HKD12.6 cents	HKD11.4 cents

Notes:

(a) The weighted average number of ordinary shares shown above has been arrived at after deducting 24,854,000 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 HKD1.1337 for 1H 2017 and RMB1.000 to HKD1.1881 for 1H 2016, being the average exchange rates that prevailed during the respective periods.

(c) There was no dilution effect for the convertible perpetual capital securities for the six months ended 30 June 2016 as the full conversion of convertible perpetual capital securities into ordinary shares of the Company would have anti-dilutive effect for the six months ended 30 June 2016.

(d) There were no dilution effects for outstanding share options and warrants as the exercise prices of each of these share options and warrants were higher than the average market price of the Company’s shares per share for the six months ended 30 June 2017 and 30 June 2016.

11. Accounts Receivable, Deposits and Prepayments

	30 June 2017 RMB'million (Unaudited)	31 December 2016 RMB'million (Audited)
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	**332**	319
Trade receivables	**82**	126
Prepayments of relocation costs (*note*)	**309**	292
Other receivables	**34**	-
	757	737
Current accounts receivable comprise:		
Trade receivables	**792**	708
Prepayments of relocation costs *(note)*	**9,890**	9,700
Receivables from disposals of subsidiaries	**2,159**	1,081
Other deposits, prepayments and receivables including prepaid business tax/value added tax of RMB143 million (2016: RMB205 million)	**1,028**	1,003
	13,869	12,492

Note: The amounts represent monies paid to a few relocation agents for clearing the land of the current occupants in respect of a property development project in Shanghai. 87% and 10% (31 December 2016: 89% and 10%) of the total outstanding balance are paid to two of the relocation agents.

The balances represent the amounts that will be capitalised to properties under development for sale and investment properties 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. The balances are not expected to be realised within twelve months from the end of the reporting period.

Trade receivables comprise:

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

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

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

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB874 million (31 December 2016: RMB834 million), of which RMB297 million (31 December 2016: RMB367 million) are aged less than 90 days, and RMB577 million (31 December 2016: RMB467 million) are aged over 90 days, as compared to when revenue was recognised.

12. Accounts Payable, Deposits Received and Accrued Charges

	30 June 2017 RMB'million (Unaudited)	31 December 2016 RMB'million (Audited)
Current portion comprise:		
Trade payables with aging analysis (based on invoice date):		
0 - 30 days	**2,654**	2,974
31 - 60 days	**21**	700
61 - 90 days	**10**	-
Over 90 days	**1,159**	700
	3,844	4,374
Retention payables *(note)*	**470**	532
Relocation cost payable	**823**	852
Deed tax, business tax and other tax payables	**122**	377
Deposits received and receipt in advance from property sales	**4,952**	8,347
Deposits received and receipt in advance in respect of rental of investment properties	**617**	580
Deposits received and receipt in advance from disposal of investment properties	**73**	39
Value-added tax payable	**56**	305
Deferred consideration of acquisition of subsidiaries	**2,853**	2,845
Dividends payable	**273**	-
Other payables and accrued charges	**900**	634
	14,983	18,885
Non-current portion comprise:		
Other payables and accrued charges	**13**	24

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

13. Event after the Reporting Period

(a) On 26 July 2017, the Group exercised its right to redeem certain senior notes with principal amount of US$500,000,000 due 2017 at a redemption price equal to US$1,036.37984 per US$1,000 in aggregate principal amount. The total amount paid for such redemption is equivalent to RMB3,512 million, and the Group recognised a loss on redemption of senior notes of RMB73 million.

(b) On 9 August 2017, Shanghai Sheng Pu Enterprise Management Consulting Company Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with two independent third parties not connected to the Group to set up a joint-venture company ("JV Company") to develop a plot of land, namely Lot 167 in Shanghai Hongkou District ("Lot 167"). The project to be built on Lot 167 covers an area of approximately 61,494 square meter with a developable gross floor area of approximately 213,200 square meter. It is expected that 40% will be for residential development purposes while 60% will be for commercial development purposes. It is estimated that the project will take 6 to 8 years to complete, with a total investment of approximately RMB15 billion.

For the details of the shareholdings and funding arrangements of the JV Company, please refer to the Company's announcement dated 9 August 2017.

BUSINESS REVIEW

Property Sales

Recognised Property Sales

For 1H 2017, total recognised property sales, including property sales recognised as turnover, disposal of investment properties, disposal of property, plant and equipment, disposal of equity in subsidiaries holding commercial properties and turnover of associates, were RMB12,558 million (after deduction of applicable taxes), representing an increase of 44% for a total GFA of 1,420,600 sq.m.. ASP (excluding other asset disposal) increased by 35% to RMB48,600 per sq.m. compared to 1H 2016.

Property sales (after deduction of applicable taxes) recognised as turnover increased by 247% to RMB9,086 million, on a total GFA sold of 781,700 sq.m.. It included the disposal of 79.2% of the interests in Partnership Portfolio in Chongqing's property inventories of RMB3,229 million.

Property sales recognised as disposal of subsidiaries holding commercial properties amounting to RMB1,937 million were contributed by disposal of 79.2% of the interests in Partnership Portfolio in Chongqing's commercial portion representing a GFA of 555,700 sq.m.. Property sales recognised as disposal of investment properties of RMB1,021 million consisted of selling a hotel and street front shops (The Palette 2 retail) at Shanghai RHXC.

Recognised property sales for Dalian Tiandi stood at RMB493 million, and its related profit or loss was reflected in the share of results of associates, to the extent of the Group's interest in the project.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 1H 2017 and 1H 2016:

	1H 2017			1H 2016[1]		
Project	**Sales revenue**	**GFA sold**	**ASP[2]**	**Sales revenue**	**GFA sold**	**ASP[2]**
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential	776	5,900	139,200	-	-	-
3 Corporate Avenue	-	-	-	5,700	87,300	65,300
Shanghai RHXC						
Residential	4,790	60,000	84,600	4	100	42,400
Retail	548	11,700	49,500	47	1,000	49,800
Hotel	473	15,500	32,300	-	-	-
Chongqing Tiandi						
Residential[3]	20	2,400	10,400	141	16,500	11,000
Office & Retail	90	5,800	16,700	56	1,900	31,100
Foshan Lingnan Tiandi						
Townhouses	55	2,400	24,200	26	1,300	20,800
Low/mid/high-rises	7	700	10,000	430	37,000	12,300
Retail	32	1,000	34,000	36	1,100	34,500
Subtotal	**6,791**	**105,400**	**68,200**	**6,440**	**146,200**	**44,300**
Carparks and others	108	-	-	94	-	-
Dalian Tiandi[4]						
Mid-/high-rises	446	51,600	9,200	330	44,700	7,800
Villas	47	4,400	11,400	10	1,100	10,000
Subtotal	**7,392**	**161,400**	**48,600**	**6,874**	**192,000**	**36,100**
Other asset disposal:						
Chongqing Tiandi	5,166	1,259,200		-	-	
Foshan Lingnan Tiandi (Lot 4)	-	-		1,842	231,500	
Grand total	**12,558**	**1,420,600**		**8,716**	**423,500**	
Recognised as:						
- property sales in turnover of the Group[5]	9,086	781,700		2,618	288,700	
- disposal of investment properties[5]	1,021	27,200		58	1,700	
- disposal of property, plant and equipment	21	-		-	-	
- disposal of equity in subsidiaries holding commercial properties	1,937	555,700		5,700	87,300	
- turnover of associates	493	56,000		340	45,800	
Total	**12,558**	**1,420,600**		**8,716**	**423,500**	

1 In 2016 interim financial report, sale of Foshan Yuan Kang (residential lands sales) was accounted as disposal of a subsidiary based on its legal form, and a loss on disposal of a subsidiary of RMB15 million was recognised. In accordance with the new revenue recognition policy under the Group's new Asset Light Strategy, revenue from the sale of Foshan Yuan Kang of RMB1,842 million and related cost of sales of RMB1,846 million were recognized at the completion date and 1H 2016 actual amounts were restated.

2 The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of business/value-added tax and other surcharges/taxes.

3 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

4 Dalian Tiandi is a project developed by associates of the Group.

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

Contracted Property Sales and Other Asset Disposal

The Group's contracted property sales and other asset disposal dropped 49% to RMB8,530 million in 1H 2017, compared to RMB16,642 million in 1H 2016. Residential property sales accounted for 33%, commercial property sales accounted for 18% and the remaining 49% was contributed by other asset disposal. ASP of residential property sales increased by 11% to RMB42,700 per sq.m. in 1H 2017, compared to RMB38,300 per sq.m. in 1H 2016.

Contracted property sales from residential properties and carparks (including those from Dalian associates) was RMB2,833 million, a decrease of 73% over RMB10,334 million in 1H 2016. The decrease was mainly due to continued control measures imposed by Chinese government designed to stabilise the property market, hence fewer new residential property launches compared to 1H 2016. However, the launch of the second batch of The Gallery (Lot 2) at Shanghai RHXC, sales performance was outstanding with a 92% sale through rate on the first day of launch and ASP reached RMB103,000 per sq.m., an increase of 9.6% compared to the previous launch. The ASPs of Dalian further picked-up in 1H 2017, an improvement from 2016.

Contracted commercial property sales, comprising a total GFA of 46,400 sq.m., amounted to RMB1,564 million, representing a decrease of 66% compared to RMB4,615 million in 1H 2016. The major contributions were from disposals of street front shops (The Palette 2 retail) and a hotel at Shanghai RHXC.

In 1H 2017, the Group disposed 79.2% of the interests in the Partnership Portfolio in the Chongqing project with a total consideration of RMB4,133 million. The Partnership Portfolio represented a bundle of undeveloped land parcels and an office building which was construction in progress. This transaction allows the group to release the hidden value in the Chongqing project at a substantial profit, which was also in line with the Group's asset light strategy to enhance shareholders' return by cooperating with partners who can create synergies.

In addition to the contracted property sales and other asset disposal outlined above, as of 30 June 2017, a total GFA of 46,000 sq.m., producing a total value of RMB4,035 million, was subscribed and subject to formal sales and purchase agreements. These sales came primarily from the Shanghai RHXC The Gallery, which accounted for RMB3,536 million of subscribed sales.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 1H 2017 and 1H 2016:

	1H 2017			1H 2016		
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						
Lakeville Luxe (Lot 116)	1,048	7,000	149,700	2,107	15,900	132,500
Shanghai RHXC	1,119	11,500	97,300	5,363	64,700	82,900
Wuhan Tiandi						
Site B Residential	-	-	-	1,451	45,600	31,800
Chongqing Tiandi						
Residential [1]	3	200	18,300	683	72,400	11,500
Foshan Lingnan Tiandi						
Townhouses	12	600	20,000	-	-	-
Low-/mid-/high-rises	48	2,200	21,800	344	26,600	12,900
Dalian Tiandi [2]						
Mid-/high-rises	506	41,900	12,100	348	43,400	8,000
Villas	34	2,900	11,700	17	1,500	11,300
Carparks and others	63	-	-	21	-	-
Subtotal for residential property sales	**2,833**	**66,300**	**42,700**	**10,334**	**270,100**	**38,300**
Commercial property sales:						
Shanghai RHXC						
Lot 9 Retail	111	2,100	52,900	-	-	-
Lot 3 Hotel	500	15,500	32,300	-	-	-
The Palette 2	579	11,700	49,500	-	-	-
Wuhan Tiandi						
3 Corporate Avenue (Lot A3 Office)	-	-	-	1,134	55,100	20,600
Lot A1 Office	-	-	-	3,365	177,100	19,000
Chongqing Tiandi						
Office	58	4,700	12,300	58	4,600	12,600
Retail	192	10,200	18,800	10	500	20,000
Foshan Lingnan Tiandi						
Retail	103	2,200	46,800	36	1,300	27,700
Carparks and others	21	-	-	12	-	-
Subtotal for commercial property sales	**1,564**	**46,400**	**33,700**	**4,615**	**238,600**	**19,300**
Other asset disposal:						
Chongqing Tiandi	**4,133**	**1,259,200**		-	-	
Foshan Lingnan Tiandi (Lot 4)	-	-		**1,693**	**231,500**	
Grand total	**8,530**	**1,371,900**		**16,642**	**740,200**	

[1] *ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.*
[2] *Dalian Tiandi is a project developed by associates of the Group.*

Residential GFA Available for Sale and Pre-sale in 2H 2017

The Group has approximately 410,100 sq.m. of residential GFA spanning five projects, available for sale and pre-sale during 2H 2017, as summarised below:

Project		Available for sale and pre-sale in 2H 2017		
		GFA in sq.m.	Group's interest %	Attributable GFA in sq.m.
Shanghai Taipingqiao	Lakeville Luxe (Lot 116) (High-rises)	44,900	98.00%	44,000
Shanghai RHXC	High-rises	54,900	99.00%	54,400
Foshan Lingnan Tiandi	Townhouses & Low-rises	5,900	100.00%	5,900
Chongqing Tiandi	High-rises	211,000	19.80%	41,800
Dalian Tiandi	Villas, High-rises and Serviced Apartments	93,400	48.00%[1]	44,700
Total		**410,100**		**190,800**

[1] *The Group has an effective interest of 44.72% in Lots E02a & C03 with a total GFA of 5,300 sq.m. and 48.00% in the remaining lots.*

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.

Property Development Progress

Property Completed in 1H 2017 and Development Plans for 2H 2017 and 2018

The table below summarises the projects with construction completed in 1H 2017 and construction work that is planned for completion in 2H 2017 and 2018:

Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
Actual delivery in 1H 2017							
Shanghai RHXC	104,000	-	1,000	-	105,000	44,000	149,000
Dalian Tiandi[1]	26,000	-	-	13,000	39,000	15,000	54,000
Total	**130,000**	**-**	**1,000**	**13,000**	**144,000**	**59,000**	**203,000**
Planned for delivery in 2H 2017							
Shanghai Taipingqiao	47,000	-	-	-	47,000	33,000	80,000
Wuhan Tiandi	41,000	-	71,000	-	112,000	78,000	190,000
Chongqing Tiandi	111,000	-	14,000	-	125,000	53,000	178,000
Dalian Tiandi[1]	-	-	13,000	-	13,000	5,000	18,000
Total	**199,000**	**-**	**98,000**	**-**	**297,000**	**169,000**	**466,000**
Planned for delivery in 2018							
Shanghai Taipingqiao	-	-	28,000	-	28,000	-	28,000
Dalian Tiandi[1]	93,000	12,000	-	-	105,000	30,000	135,000
Total	**93,000**	**12,000**	**28,000**	**-**	**133,000**	**30,000**	**163,000**

[1] *Dalian Tiandi is a project developed by associates of the Group.*

By way of a cautionary note, the actual completion date depends on and will be affected by construction progress, changes in the market environments, changes in government regulations and other factors.

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

Shanghai Taipingqiao
Lakeville Luxe (Lot 116) has a total residential apartment GFA of 94,000 sq.m., the first batch of which was launched in December 2015 and was well received by the market. A total GFA of 47,000 sq.m. was completed and has been progressively delivered to the buyers since December 2016 while the remaining portion is planned to be launched in 2H 2017.

The retail space with a total GFA of 28,000 sq.m. at Shui On Plaza is under Asset Enhancement Initiatives ("AEI"). It is expected to be completed in the second half of 2018.

Shanghai RHXC
The Gallery (Lot 2), with a total GFA of 104,000 sq.m. of residential and 1,000 sq.m. of ancillary retail, was completed in 1H 2017. Its second batch with a total GFA of 44,000 sq.m. was launched for pre-sale in April 2017. The first batch with a total GFA of 40,000 sq.m. was launched for pre-sale in June 2016 and a total GFA of 27,000 sq.m. has been delivered in 1H 2017. The third batch with a total GFA of 20,000 sq.m. is scheduled to be launched in 2H 2017.

The Upper (Lot 9), has a total GFA of 85,000 sq.m. of residential apartments and 2,000 sq.m. of ancillary retail, of which the first batch was launched for pre-sale in October 2015 and the second batch was launched for pre-sale in February 2016. In addition to a total GFA of 53,000 sq.m. delivered to the buyers in 2016, a total GFA of 31,000 sq.m. has been delivered to the buyers in 1H 2017.

The Grand Opening of Hall of the Moon (Ruihong Tiandi Lot 3) was held in June 2017. It commenced operation in December 2016, with a total leasable GFA of 64,000 sq.m. in the retail podium. Its anchor tenants include G-Super, H&M, UNIQLO, Modern Sky and Emperor UA Cinema. The occupancy rate was 82% as of 30 June 2017.

Lot 3 Hotel with a total leasable GFA of 15,500 sq.m. was contracted for sale in January 2017 for a total consideration of RMB500 million and delivered in 1H 2017. The Palette 2 (Phase 4 retail) with a total leasable GFA of 11,700 sq.m. was contracted for sale in April 2017 for a total consideration of RMB579 million and delivered in 1H 2017.

Shanghai KIC
A hotel building located at Lot 311 with a total GFA of 22,000 sq.m. was completed in September 2016, and the occupancy reached 97% as of 30 June 2017.

Wuhan Tiandi
Park View (Lot B5) with a total GFA of 41,000 sq.m. for residential apartments was launched for pre-sale in December 2015 and is scheduled for completion in 2H 2017. Park Place (Lot B4/5 Retail) with a total GFA of 71,000 sq.m. for retail use has been under construction since 2015 and is planned for completion in 2H 2017.

HORIZON (a shopping mall at Lots A1/A2/A3) with a total GFA of 114,000 sq.m. commenced operation in September 2016, major tenants include Cinema PALACE, King of Party, and Skyland Food Court. The occupancy rate was 85% as of 30 June 2017.

Chongqing Tiandi
Lake Ville Phase 2 (Lot B6) with a total GFA of 111,000 sq.m. for residential use and 14,000 sq.m. for retail use is under construction and scheduled for completion in 2H 2017.

In May 2017, the Group disposed of 79.2% of the interests in the Partnership Portfolio in the Chongqing project with a total consideration of RMB4,133 million. The transaction was completed in June 2017.

Foshan Lingnan Tiandi
NOVA (a shopping mall) with a GFA of 75,000 sq.m. commenced operation in April 2016, and the occupancy rate reached 89% as of 30 June 2017.

Dalian Tiandi
At Hekou Bay (Site A of Dalian Tiandi), Lot C03 with a total GFA of 26,000 sq.m. of residential apartments and 13,000 sq.m. of serviced apartments, was completed in 1H 2017. Lot B10b at Hekou Bay with a total GFA of 50,000 sq.m. for residential use was launched for pre-sale in May 2017, and the construction work is scheduled to be completed in 2018.

A total GFA of 161,000 sq.m. for residential use, 77,000 sq.m. for office space, 14,000 sq.m. for retail space and 33,000 sq.m. for serviced apartment use are under construction. They are planned for completion progressively from 2H 2017 to 2020.

By way of a cautionary note, the actual completion date and launch date 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 implemented operational tactics to enhance turnover and increase development efficiency. The Group will nevertheless, adjust the progress of construction, delivery plan and launch schedules, in accordance with the sales conditions of each project, and with respect to the rapid changing market conditions.

Investment Property

Rental and related income (including income from hotel operations) increased by 19% to RMB946 million in 1H 2017 compared to 1H 2016. Excluding the income from hotel operations, the sum of RMB906 million was generated by rental and related income from the investment properties, representing a growth rate of 19%. The increase reflected continued leasing progress made at the progressively commenced operations of the three newly opened shopping malls in Wuhan, Foshan and Shanghai.

Occupancy levels of the office property portfolio remained stable. Our office developments mainly located at THE HUB and Shanghai KIC, both achieved over 90% of occupancy in 1H 2017.

Occupancy levels of the completed retail portfolio also increased, mainly led by robust leasing activities at the three new shopping malls, NOVA at Foshan Lingnan Tiandi, HORIZON at Wuhan Tiandi and Hall of the Moon at Shanghai RHXC project. Occupancy rates of these three operating properties had reached 89%, 85% and 82% respectively, with tenants progressively moving in since 2016. The majority of tenants commenced operations in 2H 2016.

Rental income and the related profit or loss from investment properties located in Dalian Tiandi were reflected in the share of results of associates, to the extent of the Group's interest in the project.

The table below provides an analysis of the rental and related income from investment properties for 1H 2017 and 1H 2016 and the percentage of leases in GFA by property with lease expiring from 2H 2017 to 2019:

Project	**Product**	**Leasable GFA**	**Rental & related income RMB'million**			**Period on period change %**		**Leases expire in % of GFA**		
		sq.m.	**1H 2017**	**1H 2016**	**1H 2015**	**1H 2017**	**1H 2016**	**2H 2017**	**2018**	**2019**
Shanghai Taipingqiao										
Shanghai Xintiandi	**Office/ Retail**	54,000	198	164	148	21%	11%	6%	25%	34%
Xintiandi Style	**Retail**	26,000	43	40	37	8%	8%	21%	31%	20%
1 & 2 Corporate Avenue[1]	**Office/ Retail**	-	-	-	136	-	-	-	-	-
3 Corporate Avenue[2]	**Office**	-	-	15	4	-	275%	-	-	-
Shui On Plaza[3]	**Office/ Retail**	24,000	55	75	70	(27%)	7%	39%	23%	25%
THE HUB	**Office/ Retail**	263,000	159	125	80	27%	56%	3%	8%	9%
Shanghai RHXC	**Retail**	116,000	70	38	35	84%	9%	3%	4%	28%
Shanghai KIC[4]	**Office/ Retail/ Hotel**	239,000	183	166	115	10%	44%	11%	30%	34%
Wuhan Tiandi	**Retail**	160,000	102	55	43	85%	28%	5%	9%	20%
Chongqing Tiandi	**Retail**	134,000	23	23	22	-	5%	0%	12%	8%
Foshan Lingnan Tiandi	**Retail**	139,000	73	58	46	26%	26%	1%	6%	18%
Total		**1,155,000**	**906**	**759**	**736**	**19%**	**3%**	**6%**	**15%**	**21%**

[1] *1 & 2 Corporate Avenue were disposed of on 31 August 2015.*

[2] *3 Corporate Avenue was disposed of on 2 February 2016.*

[3] *A total GFA of 8,000 sq.m. located at Shanghai Shui On Plaza was occupied as offices by the Group. Shui On Plaza is carrying out AEI at its retail space with a total GFA of 28,000 sq.m., which is classified as properties under development as of 30 June 2017.*

[4] *A total GFA of 8,000 sq.m. located as Shanghai KIC was occupied by the Group.*

The table below summarises the portfolio of completed investment properties together with their respective occupancy rates:

Project	Leasable GFA (sq.m.) Office	Retail	Hotel	Total	Occupancy rate 30 June 2017	31 December 2016	Group's interest
Completed before 2017							
Shanghai Taipingqiao							
Shanghai Xintiandi	4,000	43,000	-	47,000	100%	99%	78.11%
THE HOUSE	-	7,000	-	7,000	100%	100%	78.11%
Xintiandi Style	-	26,000	-	26,000	100%	99%	77.33%
Shui On Plaza	32,000	-	-	32,000	93%	100%	62.49%[1]
THE HUB							
Office Towers 1, 2, 3 and 5	93,000	4,000	-	97,000	97%	95%	78.11%
Mall and Xintiandi[2]	-	147,000	-	147,000	92%	79%	78.11%
Performance Center	-	19,000	-	19,000	100%	N/A	78.11%
Shanghai RHXC							
The Palette 1, 3 and 5	-	33,000	-	33,000	84%	100%	99.00%[3]
Hall of the Stars (Ruihong Tiandi Lot 6)	-	19,000	-	19,000	94%	97%	99.00%
Hall of the Moon (Ruihong Tiandi Lot 3)	-	64,000	-	64,000	82%	61%	99.00%
Shanghai KIC							
1-3 and 5-12 KIC Plaza	95,000	42,000	-	137,000	89%	89%	86.80%
KIC Village R1 and R2	11,000	11,000	-	22,000	94%	93%	86.80%
5, 6 and 7 KIC Corporate Avenue	53,000	8,000	-	61,000	94%	94%	99.00%
KIC Village 12-8	5,000	-	-	5,000	100%	100%	86.80%
Lot 311 Hotel	-	-	22,000	22,000	97%	N/A	99.00%
Wuhan Tiandi							
Wuhan Xintiandi	-	46,000	-	46,000	95%	95%	78.11%
HORIZON (Lots A1/2/3 Retail)	-	114,000	-	114,000	85%	N/A	100.00%
Chongqing Tiandi							
The Riviera I, II & III	-	6,000	-	6,000	98%	98%	99.00%
Chongqing Tiandi (Lot B3/01)	-	49,000	-	49,000	74%	83%	99.00%
2, 6, 7 and 8 Corporate Avenue Retail	-	79,000	-	79,000	44%	84%	99.00%
Foshan Lingnan Tiandi							
Lingnan Tiandi (Phases 1 and 2)	-	49,000	-	49,000	79%	82%	100.00%
NOVA	-	75,000	-	75,000	89%	84%	100.00%
Shui On New Plaza (Lot D retail podium)	-	15,000	-	15,000	2%	2%	100.00%
Dalian Tiandi							
Aspen and Maple Towers (Site D22)	42,000	-	-	42,000	77%	77%	48.00%
Acacia and Lynwood Towers (Site D14)	52,000	-	-	52,000	78%	77%	48.00%
Ambow (Training School)	113,000	-	-	113,000	100%	100%	48.00%
IT Tiandi (D10 Retail)	-	41,000	-	41,000	55%	53%	48.00%
Total	500,000	897,000	22,000	1,419,000			

	Office	Retail	Hotel	Total
As of 30 June 2017, investment properties held by:				
- Subsidiaries of the Group	293,000	856,000	22,000	1,171,000
- Associated companies	207,000	41,000	-	248,000
Total leasable GFA as of 30 June 2017	**500,000**	**897,000**	**22,000**	**1,419,000[4]**
Total leasable GFA as of 31 December 2016	**500,000**	**918,000**	**22,000**	**1,440,000[4]**

[1] *The Group has a 62.49% interest in Shui On Plaza, except for a GFA of 2,000 sq.m. at the Shui On Plaza 15th floor, which the Group has an effective interest of 78.11%.*

[2] *Including retail space in the basement.*

[3] *The Group has a 99.00% interest in The Palette 3 and 5, and a 100.00% interest in The Palette 1.*

[4] *Self-use properties are classified as property, plant and equipment in the condensed consolidated statement of financial position.*

The table below summarises the carrying value of the remaining investment properties at valuation as of 30 June 2017 together with the change in fair value for 1H 2017:

Project	**Leasable GFA**	**Increase /(decrease) in fair value for 1H 2017**	**Carrying value as of 30 June 2017**	**Carrying value per GFA**	**Valuation gain /(loss) to carrying value**
	sq.m.	RMB'million	RMB'million	RMB per sq.m.	%
Completed investment properties at valuation					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	80,000	75	7,400	92,500	1.0%
Shui On Plaza - Office	24,000	1	1,873	78,000	0.1%
THE HUB	263,000	(158)	8,938	34,000	(1.8%)
Shanghai RHXC	116,000	40	3,824	33,000	1.0%
Shanghai KIC	239,000	178	7,332	30,700	2.4%
Wuhan Tiandi	160,000	52	5,540	34,600	0.9%
Chongqing Tiandi	134,000	(25)	1,753	13,100	(1.4%)
Foshan Lingnan Tiandi	139,000	11	4,180	30,100	0.3%
Subtotal	**1,155,000**	**174**	**40,840**	**35,400**	**0.4%**
Investment properties under development at valuation					
Shanghai Taipingqiao					
Shui On Plaza - Retail	28,000	1	1,665	59,500	0.1%
Wuhan Tiandi	71,000	32	1,259	17,700	2.5%
Subtotal	**99,000**	**33**	**2,924**	**29,500**	**1.1%**
Total of the remaining investment properties at valuation	**1,254,000**	**207**	**43,764**	**34,900**	**0.5%**

Note: 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.

The carrying value of the completed investment properties (excluding hotels for operation and self-use properties) with a total GFA of 1,155,000 sq.m. was RMB40,840 million as of 30 June 2017. Of this sum, RMB174 million (representing 0.4% of the carrying value) arose from increased fair value during 1H 2017. The properties located in Shanghai, Wuhan, Chongqing and Foshan, respectively contributed 72%, 14%, 4% and 10% of the carrying value.

The carrying value of the investment properties under development at valuation for a total GFA of 99,000 sq.m. was RMB2,924 million as of 30 June 2017.

Except for the above mentioned investment properties at valuation, the carrying value of the investment properties under development and for further development at cost was RMB11,066 million.

Landbank

As of 30 June 2017, the Group's landbank, including the contribution of Wuhan Optics Valley joint venture, Chongqing partnership and Dalian associates, stood at a total GFA of 11.7 million sq.m. (comprising 9.8 million sq.m. of leasable and saleable area, and 1.9 million sq.m. for clubhouses, car parking spaces and other facilities) spread across nine development projects located in the prime areas of five major PRC cities, namely: Shanghai, Wuhan, Chongqing, Foshan and Dalian. The GFA attributable to the Group was 8.1 million sq.m..

Of the total leasable and saleable GFA of 9.8 million sq.m., the sum of 1.7 million sq.m. was completed, and held for sale and/or investment. Approximately 3.0 million sq.m. was under development, and the remaining 5.1 million sq.m. was held for future development.

Relocation of Shanghai

The relocation of lots 10, 1 & 7 is in progress. 99.9%, 99% and 98% of residents in Lot 10, Lot 1 and Lot 7 have signed relocation agreements respectively as of 30 June 2017. Lots 1 and 7 will be developed into high-end residential apartments and Lot 10 will be developed into a commercial complex with two Grade-A office buildings and a shopping mall. As of 30 June 2017, a total amount of RMB10,741 million had been paid. The estimated outstanding relocation cost of RMB1,818 million is estimated to be paid progressively in 2H 2017 and 2018. The relocation of these three sites is planned to be completed from 2H 2017 to 2018.

Details of the relocation progress for the respective lots are provided below:

Project	**Percentage of relocation as of 30 June 2017**	**Leasable and saleable GFA**	**Relocation cost paid as of 30 June 2017**	**Estimated outstanding relocation cost as of 30 June 2017**	**Estimated relocation completion year**
		sq.m.	RMB'million	RMB'million	
RHXC Lot 10	99.9%	338,000	2,702	332	2017
RHXC Lot 1 (Residential)	99%	110,000	4,182	1,037	2017
RHXC Lot 7 (Residential)	98%	159,000	3,857	449	2018
Total		**607,000**	**10,741**	**1,818**	

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

The Group's total landbank as of 30 June 2017, including that of its joint venture and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA								
	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest	Attributable GFA
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	%	sq.m.
Completed properties:									
Shanghai Taipingqiao	10,000	36,000	76,000	-	**122,000**	59,000	**181,000**	99.00%[1]	143,000
Shanghai RHXC	78,000	-	119,000	-	**197,000**	167,000	**364,000**	100.00%[2]	362,000
Shanghai KIC	-	164,000	63,000	22,000	**249,000**	148,000	**397,000**	86.80%[3]	361,000
THE HUB	-	93,000	170,000	-	**263,000**	72,000	**335,000**	78.11%	262,000
Wuhan Tiandi	-	-	160,000	-	**160,000**	167,000	**327,000**	100.00%[4]	311,000
Chongqing Tiandi	1,000	8,000	149,000	-	**158,000**	225,000	**383,000**	99.00%	381,000
Foshan Lingnan Tiandi	6,000	15,000	159,000	43,000	**223,000**	143,000	**366,000**	100.00%	366,000
Dalian Tiandi	42,000	207,000	41,000	10,000	**300,000**	190,000	**490,000**	48.00%[5]	233,000
Subtotal	137,000	523,000	937,000	75,000	**1,672,000**	1,171,000	**2,843,000**		**2,419,000**
Properties under development:									
Shanghai Taipingqiao	127,000	-	28,000	-	**155,000**	33,000	**188,000**	99.00%[1]	174,000
Shanghai RHXC	267,000	156,000	184,000	-	**607,000**	116,000	**723,000**	99.00%[2]	716,000
Wuhan Tiandi	149,000	177,000	71,000	-	**397,000**	94,000	**491,000**	100.00%	491,000
Chongqing Tiandi	502,000	259,000	118,000	25,000	**904,000**	166,000	**1,070,000**	19.80%[6]	353,000
Foshan Lingnan Tiandi	68,000	-	14,000	-	**82,000**	21,000	**103,000**	100.00%	103,000
Dalian Tiandi	356,000	206,000	188,000	130,000	**880,000**	276,000	**1,156,000**	48.00%[5]	555,000
Subtotal	1,469,000	798,000	603,000	155,000	**3,025,000**	706,000	**3,731,000**		**2,392,000**
Properties for future development:									
Shanghai Taipingqiao	86,000	174,000	118,000	38,000	**416,000**	44,000	**460,000**	99.00%	456,000
Shanghai RHXC	83,000	69,000	78,000	-	**230,000**	2,000	**232,000**	100.00%[2]	232,000
Wuhan Tiandi	135,000	166,000	94,000	-	**395,000**	-	**395,000**	100.00%	395,000
Chongqing Tiandi	313,000	-	167,000	-	**480,000**	35,000	**515,000**	19.80%[6]	102,000
Foshan Lingnan Tiandi	76,000	450,000	107,000	80,000	**713,000**	2,000	**715,000**	100.00%	715,000
Dalian Tiandi[7]	394,000	867,000	262,000	42,000	**1,565,000**	-	**1,565,000**	48.00%[5]	752,000
Wuhan Optics Valley	444,000	637,000	196,000	-	**1,277,000**	2,000	**1,279,000**	50.00%	640,000
Subtotal	1,531,000	2,363,000	1,022,000	160,000	**5,076,000**	85,000	**5,161,000**		**3,292,000**
Total landbank GFA	**3,137,000**	**3,684,000**	**2,562,000**	**390,000**	**9,773,000**	**1,962,000**	**11,735,000**		**8,103,000**

1 *The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, Xintiandi Style, Shui On Plaza, 15th floor in Shui On Plaza and Lot 116, in which the Group has an effective interest of 78.11%,77.33%, 62.49%, 78.11% and 98.00%, respectively.*

2 *The Group has a 100.0% effective interest in RHXC Phase 1, Lot 167A and Lot 167B and 99.0% interest in all the remaining lots. On 9 August 2017, Sheng Pu, an indirect wholly-owned subsidiary of the Group, Guotai Junan (as the manager of the Trust) and Hong Fang entered into the Shareholders' Agreement, pursuant to which Sheng Pu, Guotai Junan and Hong Fang have agreed to establish the JV Company held as to 49% by Sheng Pu, 31% by Guotai Junan and 20% by Hong Fang respectively, for the acquisition of Lot 167A and Lot 167B from the Group. After this transaction, the Group has a 49% effective interest in RHXC Lot 167A and Lot 167B.*

3 *The Group has an 86.8% interest in all the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 99.0%.*

4 *The Group has a 100.0% effective interest in all the remaining lots, except for Wuhan Xintiandi in which the Group has an effective interest of 78.11%.*

5 *The Group has a 48.0% effective interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02a in which the Group has a 44.72% effective interest.*

6 *The Group has a 19.8% effective interest in Chongqing in all the remaining lots, except for Lot B6 in which the Group has an effective interest of 99.0%.*

7 *Dalian Tiandi is expected to have a landbank of 3.2 million in GFA. As of 30 June 2017, approximate 2.9 million sq.m. had been acquired. The remaining GFA of approximate 0.3 million sq.m. is expected to be acquired through public bidding in due course.*

FINANCIAL REVIEW

Profit attributable to shareholders of the Company for the six months ended 30 June 2017 was RMB898 million, an increase of 17% compared to the corresponding period in 2017 (2016: RMB768 million).

Core earnings of the Group are as follows:

	Six months ended 30 June		
	2017	2016	Change
	RMB'million	RMB'million	%
Profit attributable to shareholders of the Company	**898**	768	17%
Net increase in fair value of the remaining investment properties	**(207)**	(519)	
Effect of corresponding deferred tax charges	**52**	130	
Cumulative realised fair value gains of investment properties*	**113**	1,556	
Gain arose from acquisition of subsidiaries	**119**	(867)	
Share of results of associates			
Fair value losses of investment properties	**368**	100	
Effect of corresponding deferred tax charges	**(92)**	(25)	
	353	375	
Non-controlling interests	**(4)**	(42)	
Net effect of changes in the valuation of investment properties	**349**	333	5%
Profit attributable to shareholders of the Company before revaluation of the remaining investment properties	**1,247**	1,101	13%
Add:			
Profit attributable to owners of convertible perpetual capital securities	**58**	55	5%
Profit attributable to owners of perpetual capital securities	**182**	165	10%
Core earnings of the Group	**1,487**	1,321	13%

* Cumulative realised fair value gains of investment properties for the six months ended 30 June 2017 are mainly related to completion of the sales of The Palette 2 retail at Shanghai RHXC while the compared period are mainly related to Shanghai Taipingqiao 3 Corporate Avenue.

Earnings per share was RMB11.2 cents, which was calculated based on a weighted average of approximately 8,002 million shares in issue during the six months ended 30 June 2017 (2016: RMB9.6 cents, which was calculated based on a weighted average of approximately 8,002 million shares in issue).

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

- Dividends payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company's shares) should not exceed 40% of the Company's consolidated profit for the two most recent semi-annual periods prior to payment of the dividend, unless certain conditions pursuant to the terms of the senior notes have been met.
- In the case where the Company opts to defer the payment of coupons to the owners of perpetual capital securities, no dividend payments should be made to the shareholders of the Company unless all coupons deferred have been paid in full.

Having taken into consideration that: i) the Group's 1H 2016 dividend per share ("DPS") was exceptionally low mainly due to restriction imposed by the Group's existing bond covenants at that time, and ii) the Group's financial position and cashflow has improved over the last two years, the Board has resolved to recommend the payment of a 2017 interim dividend of HKD0.03 per share (2016: HKD0.011 per share), thus raising the dividend level above pre-2016 levels.

Major Acquisition and Disposal

1) In January 2017, the Group entered into a 50:50 Joint Venture with Citic and has made a successful bid for a piece of land in Wuhan which is located in East Lake Ring, Wuhan, the PRC. The Group's investment in the Joint Venture is approximately RMB1,410 million for the purpose of funding the land acquisition.

2) In May 2017, the Group entered into an agreement with an independent third party pursuant to which the Group disposed its 79.2% of the interests in Partnership Portfolio in the Chongqing project, at a consideration of RMB4,133 million subject to closing adjustments. For the details of the disposal of Chongqing project, please refer to the Group's circular dated 19 June 2017. The aforesaid equity disposal was completed on 29 June 2017.

Liquidity, Capital Structure and Gearing Ratio

Up to the date of this report, the Group has arranged two refinancing and three redemption activities of the senior notes/senior perpetual capital securities. The purpose of refinancing and redemption is to take advantage of the lower finance costs and also to extend the maturity of the senior notes/senior perpetual capital securities. The details are as follows:

1) On 23 January 2017, the Group entered into a subscription agreement with two independent financial institutions in connection with the issue by Shui On Development (Holding) Limited ("SODH") of an aggregate principal amount of USD500 million senior notes which will be due in 2021 at a yield of 5.7% per annum.

2) On 26 February 2017, the Group had fully repaid an aggregate principal amount of RMB2,500 million senior notes.

3) On 5 June 2017, the Group exercised its right to redeem senior notes with principal amount of US$202,487,000 due 2020 at a redemption price equal to 104.875% of the principal amount plus the accrued and unpaid interest. The total amount paid/payable for such redemption is equivalent to RMB1,452 million.

4) On 20 June 2017, the Group entered into a subscription agreement with two independent financial institutions in connection with the issue by SODH of an aggregate principal amount of USD600 million senior perpetual capital securities which will be callable in 2022 at a yield of 6.4% per annum.

5) On 26 July 2017, the Group exercised its right to redeem certain senior notes with principal amount of US$500,000,000 due 2017 at a redemption price equal to US$1,036.37984 per US$1,000 in aggregate principal amount. The total amount paid/payable for such redemption is equivalent to RMB 3,512 million.

The structure of the Group's borrowings as of 30 June 2017 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	22,465	4,125	7,988	5,973	4,379
Bank borrowings – HKD	4,358	781	2,287	1,290	-
Bank borrowings – USD	3,250	310	1,910	1,030	-
Senior notes – USD	16,506	7,712	3,697	5,097	-
Total	**46,579**	**12,928**	**15,882**	**13,390**	**4,379**

Total cash and bank deposits amounted to RMB17,704 million as of 30 June 2017 (31 December 2016: RMB15,567million), which included RMB2,632million (31 December 2016: RMB4,479 million) of deposits pledged to banks and RMB778 million (31 December 2016: RMB1,435 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 30 June 2017, the Group's net debt balance was RMB28,875 million (31 December 2016: RMB31,556 million) and its total equity was RMB50,722 million (31 December 2016: RMB46,256 million). The Group's net gearing ratio was 57% as of 30 June 2017 (31 December 2016: 68%), calculated on the basis of the excess of the sum of senior notes, bank borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

As of 30 June 2017, HKD/USD borrowings including senior notes (unhedged) amounting to approximately RMB12,576 million was equivalent to approximately 27% of total borrowings (31 December 2016: 26%).

Hedges for a total amount of USD1,180 million, accounting for 17% of total debt, expired on 30 June 2017. Accordingly, the Group entered into new forward contracts of USD587 million commencing 1 July 2017 till present.

Total undrawn banking facilities available to the Group amounted to approximately RMB3,805 million as of 30 June 2017 (31 December 2016: RMB6,631 million).

Pledged Assets

As of 30 June 2017, the Group had pledged investment properties, property, plant and equipment, prepaid lease payments, properties under development for sale, properties held for sale, accounts receivable and deposits totalling RMB50,605 million (31 December 2016: RMB60,274 million) to secure the Group's borrowings of RMB20,917 million (31 December 2016: RMB27,272 million).

Capital and Other Development Related Commitments

As of 30 June 2017, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB4,588 million (31 December 2016: RMB8,960 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 revenue of the Group is denominated in RMB. However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and CPCS denominated in USD issued from 2014 to 2017. As a result, to the extent that the Group has a net foreign currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 30 June 2017, the Group has entered approximately USD2,786 million forward or capped forward to hedge the USD currency risk against RMB. The forward rate of USD against RMB is between 1 USD to 6.7210 to 7.2730 RMB.

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

Save as disclosed above, as of 30 June 2017, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if necessary.

MARKET OUTLOOK

Global economic growth strengthened in early 2017, supported by improving international trade prospects and an upturn of the Chinese economy. The risks of economic disruption due to rising populism and trade frictions have receded, leading the International Monetary Fund to revise upward its forecasts for global economic growth this year to 3.5%. In the United States, the Federal Reserve is on track to tighten monetary policy, and is expected to introduce a further 25 basis point rate hike later this year, after raising interest rates twice in the first half. The Federal Reserve has stated that it anticipates a policy of gradual normalisation, which includes a reduction of its enlarged balance sheet in the near term. Growth projections for 2017 have been revised upwards for a number of eurozone countries due to stronger than anticipated domestic demand, but with insufficient progress on President Donald Trump's plan to cut taxes, the projection for US gross domestic product (GDP) growth has been adjusted downwards to 2.1%.

China's economic growth accelerated to 6.9% in the first half of 2017 and is expected to maintain a steady pace throughout the year. The authorities have tightened their grip on regulatory oversight, making containment of financial sector risks a policy priority. At the National Financial Work Conference held in July this year, a decision was taken to establish a State Council-led Financial Stability Development Committee to improve coordination of financial supervision between the People's Bank of China and other financial regulatory bodies. This is seen as a timely move to ensure sound, stable economic development and to achieve the objective of inclusive growth.

The residential market maintained robust growth, despite the imposition of purchase restrictions across tier one and many tier two cities. Unlike previous cycles, policymakers have this time opted for localised measures in different cities. As a result, while residential sales in tier one and major tier two cities contracted, home sales in smaller cities have picked up, and the destocking of housing inventory has continued to make steady progress, with the stock of unsold units falling 19.3% year-on-year by the end of June to 352 million sq. m. National housing transactions in the first six months registered year-on-year increases of 13.5% by area and 17.9% by value. Sales growth in the second half is expected to taper off in view of localised restrictions and a likely slowdown in mortgage lending.

In the currency market, the US dollar weakened in the first half of the year. With stronger control of capital outflows, China's foreign exchange reserves registered an increase of US$46.3 billion in the first six months of 2017, bringing the total of reserves to US$3.057 trillion by the end of June. The Renminbi exchange rate strengthened to around 6.77 to the US dollar during this period, which represents a 2.4% appreciation from where it started the year. Given the strength of China's economy, the RMB:USD exchange rate is expected to remain relatively stable this year.

Shanghai's economy grew by 6.9% in the first half of the year, with inflation remaining stable despite urban per capita disposable income rising by 8.6%. The municipality released the 13th Five-Year Plan housing programme, which contained a housing supply target of 1.7 million units for the period 2016-2020. The bulk of supply will be relocation housing and rental housing, and the total of commodity housing for sale will be 450,000 units. Shanghai is an important international business hub and gateway city of China. In 2016, 45 new regional headquarters of multi-national corporations were established in Shanghai, bringing the cumulative total to 580.

Chongqing recorded a rapid GDP growth rate of 10.5% in the first half of 2017, and its tertiary sector now accounts for 50.4% of the economy, a notable rise from last year's 48.4%. Significant progress has been made on reducing housing inventory and promoting supply-side structural reforms. The municipality is a major beneficiary of China's transportation development plan, as six major rail lines in the "10 vertical and 10 horizontal" national high speed rail system will interchange in Chongqing, making it one of the nation's most important high speed rail hubs. This should further solidify Chongqing's position as the leading economic centre in Western China.

Wuhan's 2017 first half GDP growth accelerated to 7.5% from the first quarter's 6.9%. The city's financial services industry is emerging as a new pillar industry and now accounts for 10.0% of GDP. The city has a program to retain 1 million graduates over the next five years. The municipal government has implemented a series of preferential policies, such as easing control over the hukou population registration system, expanding the supply of 'talent apartments' and providing free office space for start-up companies. In March, the development plan of Hubei province's Pilot Free Trade Zone (PFTZ) was unveiled. It is worth noting that Wuhan PFTZ was designated to serve "One Belt One Road" and "Yangtze River Economic Belt" national strategies, facilitating the transfer of manufacturing activities to central China. This should help to attract capital and talent to Wuhan, strengthening the city's innovation-driven growth model.

Foshan maintained a steady growth pace of 8.5% in the first half of 2017, with s foreign direct investment increased by 11.5% US$1.2 billion. Foshan is well positioned to gain from the Guangdong-Hong Kong-Macao Greater Bay Area national strategy announced earlier this year. In June 2017, the governments of Hong Kong and Foshan signed a Hong Kong-Foshan Cooperation Agreement to harness the complementary advantages Foshan has in manufacturing and Hong Kong enjoys in international business, aiming to increase the flow of people, logistics, capital and information between the two cities.

Dalian’s economic growth increased to 6.8% in the first half of 2017, up from the 6.5% achieved for full year 2016. Foreign direct investment grew by 14.7% to US$2.1 billion during the first half of 2017. Dalian is expected to benefit from the State Council’s recent granting of pilot Free Trade Zone (FTZ) status to the city. Dalian FTZ will focus on six major industries including shipping logistics, finance, advanced equipment manufacturing, high and new technology, circular economy, and shipping services. The zone will provide preferential policies for entrepreneurs and foreign-invested companies. This should help to attract more inward investment and support the city’s economic development.

While global growth momentum has improved, there are still considerable lingering uncertainties regarding impact of quantitative tightening, the North Korean nuclear issue and rising regional geopolitical disputes. Overall, China has the policy tools to address the drag from financial deleveraging and achieve 6.5% GDP growth for the year. In the property sector, the industry is expected to undergo further consolidation, with competition becoming more intense and profit margins continuing to be squeezed by escalating land prices as well as localised restrictions continuing to reduce sales volumes. In view of these circumstances, we will continue to refine our business model to address the challenges and identify emerging opportunities arising from the changing lifestyles of millennials in a rapidly evolving sharing economy.

INTERIM DIVIDEND

The Board has declared an interim dividend of HKD0.03 per share (2016: HKD0.011 per share) for the six months ended 30 June 2017, which is payable on or about 25 September 2017 to shareholders whose names appear on the register of members of the Company on 12 September 2017.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 12 September 2017.

PURCHASE, SALE OR REDEMPTION/CANCELLATIONOF LISTED SECURITIES

In February 2014, SODH issued RMB2,500 million 6.875% senior notes due 2017 (the "2017 CNH Notes"). On 26 February 2017, SODH had fully repaid the principal amount of the outstanding 2017 CNH Notes together with the accrued and unpaid interest upon its maturity.

In May 2014, SODH issued USD202,487,000 9.750% senior notes due 2020 (the "2020 SODH Notes"). On 5 June 2017, SODH redeemed all outstanding 2020 SODH Notes with an aggregate principal amount of USD202,487,000 and paid the redemption price plus the accrued and unpaid interest. Upon redemption, the 2020 SODH Notes were cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices and to pursue 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 set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to 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 shareholders' value, and stakeholders' confidence in the Company. During the six months ended 30 June 2017, 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 2017, including the accounting principles and practices and internal control system adopted by the Company, in conjunction with the Company's external auditor. The Audit and Risk Committee has no disagreement with the accounting treatment 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 to 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 2017.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2017, the number of employees in the Group was 3,260 (31 December 2016: 3,295); which included the headcount of China Xintiandi at 442 (31 December 2016: 388), the headcount of the property management business at 1,627 (31 December 2016: 1,583). The headcount of the acquired construction and fitting out business was 275 as of 30 June 2017 (31 December 2016: 301). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s condensed consolidated statement of financial position as of 30 June 2017, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the period then ended as set out in the preliminary announcement have been extracted from the Group’s unaudited condensed consolidated financial statements for the period, which has been reviewed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

APPRECIATION

I wish to take this opportunity to thank the members of the Board for the perceptive advice they have continued to give, and to all of our colleagues for their hard work and commitment to excellence throughout.

The progress we have made in increasing the strength and improving the balance of our businesses is encouraging. Although challenges lie ahead, in part due to the uncertainties that hover over the global economy, I believe we have laid a solid foundation which should benefit shareholders in the longer term.

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

Hong Kong, 23 August 2017

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

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

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

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

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

** For identification purposes only*