



瑞安房地產
SHUI ON LAND

INTERIM REPORT 2021 二零二一年度中期業績報告

SHUI ON LAND LIMITED
瑞安房地產有限公司

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限責任公司

STOCK CODE 272
股份代號 272



A LEADING COMMERCIAL FOCUSED REAL ESTATE DEVELOPER, OWNER AND ASSET MANAGER IN CHINA

Headquartered in Shanghai, Shui On Land (Stock Code: 272) is a pioneer of sustainable premium urban communities. As a leading commercial focused real estate developer, owner and asset manager in China, it has a proven track record in developing large scale, mixed-use, sustainable communities, and is the flagship property development company of the Shui On Group. As of 30 June 2021, the Company has 12 projects in various stages of development and 2 projects under management in prime locations of major cities, with a landbank of 8.4 million sq.m. (6.1 million sq.m. of leasable and saleable GFA, and 2.3 million sq.m. of clubhouses, car parking spaces and other facilities). It is also one of the largest private commercial property owners and managers in Shanghai, with a total portfolio of 1.72 million sq.m. of office and retail premises, including its flagship Shanghai Xintiandi, which is currently under its management.

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

CONTENTS 目錄

2	CHAIRMAN'S STATEMENT 主席報告	56	INTERIM DIVIDEND 中期股息
6	MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論與分析	56	DIRECTORS' INTERESTS IN SECURITIES 董事於證券的權益
29	INDEPENDENT REVIEW REPORT 獨立審閱報告	58	SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES 主要股東於證券的權益
30	INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS 中期簡明綜合損益表	59	SHARE OPTIONS 購股權
31	INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 中期簡明綜合全面收益表	60	CORPORATE GOVERNANCE 企業管治
32	INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION 中期簡明綜合財務狀況表	62	PURCHASE, SALE OR REDEMPTION/ CANCELLATION OF LISTED SECURITIES 購買、出售或贖回/註銷上市證券
34	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 中期簡明綜合權益變動表	63	DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES 根據上市規則第13.21條作出的披露
36	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS 中期簡明綜合現金流量表	65	CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES 根據上市規則第13.51B(1)條披露有關董事資料之變動
37	NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION 中期簡明綜合財務資料附註	65	EMPLOYEES AND REMUNERATION POLICY 僱員及薪酬政策
		66	CORPORATE INFORMATION 公司資料

CHAIRMAN’S STATEMENT



“ I believe we are in a good position to make further progress in the second half of the year, building on our strategy to be a pioneer in creating sustainable premium urban communities in China. ”

2021 marks two very important milestones for our business. We reached the 50th anniversary of our parent Shui On Group, which has established an excellent reputation and track record in China. At the same time, Shanghai Xintiandi, the landmark project of Shui On Land (the “Group”) that is a leading example of urban renewal in China, began celebrating its 20th year of opening. We are proud of this longstanding history and proven ability to contribute to the development of the real estate market of China.

Against this backdrop, I am pleased to report that the Group delivered encouraging financial results for the first half of 2021 (“1H 2021”), with both revenue and profit rebounding following the recovery of the Chinese economy from the impact of the COVID-19 pandemic. While the environment remains challenging, I believe we are in a good position to make further progress in the second half of the year, building on our strategy to be a pioneer in creating sustainable premium urban communities in China.

Financial Highlights

Group revenue in the first six months of the financial year 2021 was RMB11,977 million, representing a marked 726% increase from the RMB1,450 million reported in the corresponding period of 2020.

Profit attributable to shareholders for the period was RMB1,082 million, as compared with a loss of RMB1,622 million in the first half of 2020 (“1H 2020”), when the COVID-19 pandemic resulted in a downward revaluation of investment properties and a fall in rental income. The positive results in 1H 2021 was buoyed by robust residential sale, and strong growth in rental income.

The Group continues to maintain a very strong financial position. As of 30 June 2021, the net gearing ratio stayed at a very healthy 45%, the same level as of 31 December 2020. Cash and bank deposits totaled RMB14,367 million. We expect to maintain a prudent approach to managing our balance sheet to provide us with flexibility and a strong foundation to support our further growth.

Having taken into consideration the Group’s solid financial position and improved profit, the Board has resolved to recommend the payment of a 2021 interim dividend of HKD0.036 per share (1H 2020: nil per share).

Extending our Longstanding Commitment to Sustainability, a Key Differentiator of Our Business

Sustainable development is an important cornerstone of our business and is reflected by our corporate vision to be a pioneer of sustainable premium urban communities. Moreover, our history and our actions reflect that critical focus. We have always been committed to preserving architectural and cultural heritage, building vibrant communities that support healthy living and developing environmentally certified buildings.

We are pleased to report that this year more initiatives have been rolled out under our 10-year 5C Sustainable Development Strategy that was introduced in 2020. The Group became the first real estate developer in China to adopt the Science Based Targets initiative (SBTi) and commit to a business pledge of well below 2°C for emissions reductions. We also successfully issued our inaugural Sustainability-Linked Bond, again being the first China-based developer to do so. This marked another milestone in the Group’s journey in green and sustainable finance. During the first half of this year, international recognition for our efforts has come in the form of a 2021 ULI Asia Pacific Award for Excellence for Wuhan Tiandi Site A and a 2021 ULI Global Award for Excellence for THE HUB in Shanghai.

These and other initiatives serve to highlight that sustainability is already well integrated into our business strategies and operations, fully shaping all aspects of how the Group develops and operates its properties. The 5C Sustainable Development Strategy specifically outlines goals under five pillars – Community, Clean, Culture, Care and Corporate Governance. It commits us to employ sustainability criteria more systematically, to spur innovation across our businesses and provide transparency and accountability to external audiences. As a real estate developer, we aim to reduce carbon emissions and improve the well-being of our customers and employees by creating vibrant and authentic communities, giving them the choices they need to live healthy, culturally rich and environmentally sustainable lifestyles. While this will be a long-term journey and a continuous learning process, we are proud to be taking these necessary and important steps forward.

Benefiting from the Resilience of the Chinese Economy and of Our Business

Events in the first half of the year continued to present challenges but the resilience of the Chinese economy and of our business helped us weather the uncertain times.

The Chinese Government's success in managing the COVID-19 pandemic led to a strong rebound in economic activity beginning in the second half of 2020 and the momentum has carried through into 2021. This rebound has supported our strong operating performance in 1H 2021.

Demand for residential property in China has been strong, despite the regulations introduced at various levels of government to dampen speculative excesses. Our own developments have further benefited from their prime locations, the high quality of their construction and management, as well as our ability to create sustainable communities through a creative approach to development. Accumulated contracted property sales amounted to RMB12,115 million for the first six months of 2021, an increase of 95% compared to the same period of 2020, with residential property sales accounting for 98%.

Footfall and revenue at our retail properties have recovered strongly from the lows of the pandemic, resulting in rental and related income increased by 32% to RMB1,570 million comparing the same period of 2020. The retail portfolio is also benefiting from the 5C Sustainable Development Strategy as we integrate these concepts into our retail management and operations to build social, environmentally sustainable, and healthy communities that are attractive to consumers.

Shanghai Xintiandi remains as fresh and relevant as when it was launched 20 years ago, thanks to our commitment to finding creative ways to upgrade and renew its offering in light of changes in the retail market and rising environmental awareness. Although more shopping has moved online – a trend accelerated by the COVID-19 pandemic – there is also a marked desire for destinations that offer an experience that goes beyond the mere purchase of goods. We excel at providing these experiences through concepts such as Foodie Social at the recently opened Xintiandi Style I in Shanghai, which enable us to attract the premium customer segment we are targeting.

Our office portfolio also had a positive six months, with occupancy rates that steadily increased across our office properties. As of 30 June 2021, the overall occupancy in the portfolio was 90%, a strong testimony to the resilience of our office assets.

Building for the Future

Despite the recent outbreaks, the worst impacts of the COVID-19 pandemic appear to be over in China, which has led the global economic recovery. There will be after-effects, however, and the disease will clearly affect global economic activity for many months to come. We are also mindful of the continuing tension between China and the US and its likely impact on trade, investment flows and travel.

We are nonetheless confident that the Group is well positioned to benefit from the more normal economic conditions that now prevail in China. Government measures designed to ensure the sound, long-term development of the property market, such as the "three red lines" policy, are likely to continue, impacting highly leveraged developers. We have every confidence in China's future prospects and intend to take full advantage of any opportunities that arise to replenish our landbank by acquiring high quality assets in the city cores of key metropolises, especially those of the Yangtze River Delta.

In February, we completed the acquisition of the Nanjing IFC in Nanjing's Central Business District, through a 50/50 joint venture with Grosvenor Asia Pacific. The Grosvenor Group is one of the world's most respected property companies and the partnership will help us expand our assets under management in what is a key city of the Yangtze River Delta and capital of the economically powerful province of Jiangsu. In June, we signed an agreement with the Yongye Group, an arm of the Huangpu District government in Shanghai, to develop Lot 122 of the Taipingqiao project, also on a 50/50 basis. This investment enables the Group to further expand its development footprint in the Taipingqiao masterplan community.

Looking Ahead to Future Growth

The Shui On Group, of which we are an important part, has come a long way in 50 years. Everyone connected to it can be proud of its achievements and we look forward to many more years as a successful business that is doing all it can to contribute positively to its stakeholders.

Although the market environment remains challenging, we are confident that we will continue to benefit from China's post-pandemic recovery and expected future economic growth. We have been developing our business in China for over three decades and this provides us with a wonderful foundation on which to build even further. We see great potential for continued growth in the market and intend to continue to invest and expand, creating long-term value by building vibrant communities, working to provide people with a superior living experience and nurturing commercially thriving communities in key cities.



We will also continually examine various options for optimising the structure of our business so that we can effectively seize the growth opportunities in front of us. As noted in our Announcement on 4 August, we are considering a possible spin-off of the Group's commercial investment properties and asset management business. At the time of this Interim Results Announcement, no decisions have been made on whether or not we proceed with the possible spin-off. But I would like to assure our shareholders that we will only make such a move if we believe it creates value for the Group. And above all else, we will continue working diligently to provide positive benefits to society in China and long-term value to our shareholders, customers, business partners and employees.

Appreciation

Finally, I would like to thank my fellow Board members for their valuable advice and our shareholders and business partners for their continued support. Most of all, I wish to express sincere thanks to everyone in the Group for their hard work and dedication during the past six months. We care deeply about our employees, and our trust in them is returned by their loyalty and trust in the Group.

VINCENT H. S. LO

Chairman

Hong Kong, 24 August 2021



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

- **Return to Profitability:** The Group recorded a profit of RMB1,288 million in the first half of 2021 ("1H 2021"), while profit attributable to shareholders totaled RMB1,082 million. This is a sharp recovery from the first half of 2020 ("1H 2020"), when the Group reported a net loss due to impacts from the COVID-19 outbreak in China. The strong performance in 1H 2021 was underpinned by robust residential sales and strong growth in rental income.
- **Property sales increased 62.4x Y/Y:** Property sales revenue for 1H 2021 increased significantly by 62.4x to RMB10,214 million due to contributions from Shanghai Taipingqiao Ville V (Lot 118) and Wuhan Tiandi La Riva II (Lot B10).
- **Strong recovery in the commercial portfolio:** Total rental & related income (including joint ventures and associates) was RMB1,570 million, representing a robust growth of 32% Y/Y. Amongst our retail properties, overall sales have significantly recovered since the third quarter of 2020. In June 2021, overall sales reached 149% of 2020 levels. For our office portfolio, occupancy rates have steadily increased during the period, reaching an average of 90% as of June 2021.
- **Maintaining a strong balance sheet:** The net gearing ratio stayed at a very healthy 45%, the same level as 31 December 2020 (45%). Cash and bank deposits totaled RMB14,367 million. We expect to maintain a prudent approach in managing our balance sheet.



- **Interim dividend declared:** Having taken into consideration that the Group's financial position and improved profit, the Board has resolved to recommend the payment of a 2021 interim dividend of HKD0.036 per share (1H 2020: nil).
- **Key achievements in our Sustainability strategy:** In March 2021, the Group became the first China-based developer to commit to the Science Based Targets initiatives ("SBTi"), targeting to limit global warming to well below 2°C. The Group also successfully issued our inaugural Sustainability-Linked Bond due June 2026 @5.50%, with an aggregate principal amount of USD400 million. This transaction marked another milestone in the Group's journey in green and sustainable finance.

Shui On Land is a leading commercial property-focused developer, owner, and asset manager in China, anchored by a prime city centre portfolio in Shanghai. We believe in 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. At the same time, since the inception of Shui On Land, sustainable development has been part of our DNA, and we have always been committed to caring for the environment, to preserving and rejuvenating cultural heritage, and to building and sustaining vibrant communities.

Our vision is to be a Pioneer in Sustainable Urban Communities. Sustainable Development is an intergraded part of our business strategy. We employ a people-centric, sustainable approach to design and build master-planned communities, and we have a widely recognised record of accomplishment in sustainable development.

KEY ACHIEVEMENTS IN 1H 2021

- In 1H 2021, we recorded contracted sales of RMB12.1 billion, representing a 95% Y/Y increase. This includes the launch of Shanghai Rui Hong Xin Cheng Ocean One’s (Lot 7) first batch in January and Shanghai Panlong Tiandi’s first batch last October, which together recorded approximately RMB7.0 billion of contracted sales in 1H 2021. RMB1.8 billion of subscribed sales as of 30 June 2021 is expected to be subsequently turned into contracted property sales in the second half of 2021 (“2H 2021”) and beyond.
- Our commercial property portfolio has seen strong rental income growth. Including the properties held by joint ventures and associates, total rental and related income increased by 32% Y/Y to RMB1,570 million in 1H 2021, of which 73% of the rental and related income was contributed by the portfolio located in Shanghai. Of note, our flagship Shanghai Taipingqiao project recorded a 44% growth in rental and related income to RMB359 million.
- The Group formed a joint venture (“JV”) with Shanghai Yongye Enterprise (Group) Co., Ltd. on a 50/50 basis for carrying out the property development project at the Lands in Huangpu District, Shanghai. The Lands comprise the Land Parcel 122-1, the Land Parcel 122-2, and the Land Parcel 122-3. The total site area of the Lands is approximately 24,000 sq.m.. The Lands will be mainly for mixed-use development comprising residential, commercial, and ancillary facilities with a gross floor area estimated to be 99,600 sq.m.. It enables the Group to further expand its footprint in the world-renowned Shanghai Xintiandi area.
- In March 2021, the Group became the first China-based developer to commit to the SBTi, targeting to limit global warming to well below 2°C. On 29 June 2021, the Group successfully issued its inaugural USD400 million Sustainability-Linked Bond (“SLB”) under the Sustainability-Linked Bond Framework (the “SLB Framework”). The SLB has a target of reducing our Scope 1 and 2 GHG emissions intensity (per sq.m.) by 25% by 2024 from a 2019 baseline.



A LEADING PLAYER IN SHANGHAI COMMERCIAL REAL ESTATE

The Group currently holds and manages a total GFA of 1.72 million sq.m. of retail and office space in Shanghai (the “Shanghai Portfolio”), in which 63% of the GFA was completed for rental income and the remaining was under development. Our existing office and retail portfolio is amongst the largest in Shanghai. As of 30 June 2021, the total asset value of the Shanghai Portfolio was approximately RMB79 billion. Total asset value attributable to the Group was approximately RMB46 billion, representing an effective interest of 58% in the portfolio.

The table below summarises the development status, asset value, and ownership of the Group in the portfolio as of 30 June 2021.

Project	Office GFA sq.m.	Retail GFA sq.m.	Total GFA sq.m.	Attributable GFA sq.m.	Asset Value as of 30 June 2021 RMB’billion	% of ownership
COMPLETED PROPERTIES						
Shanghai Xintiandi, Xintiandi Style I & II, XINTIANDI PLAZA, Shui On Plaza	36,000	104,000	140,000	128,100	12.60	100%/99%/80%/80%
THE HUB	93,000	170,000	263,000	263,000	8.95	100%
Shanghai RHXC	12,000	294,000	306,000	151,500	9.17	49.5%
Shanghai KIC	186,000	67,000	253,000	117,300	8.49	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	6.60	44.55%
SUBTOTAL	420,000	666,000	1,086,000	740,100	47.27	
LAND & PROPERTIES UNDER DEVELOPMENT						
Shanghai Taipingqiao						
Lots 123, 124 & 132	192,000	84,000	276,000	69,000	18.33	25%
Shanghai RHXC						
Ruihong Tiandi Lot 167B	107,000	12,000	119,000	58,300	4.33	49%
Ruihong Corporate Avenue	135,000	–	135,000	66,800	5.87	49.5%
Shanghai Hong Shou Fang	48,000	14,000	62,000	62,000	2.12	100%
Shanghai Panlong Tiandi	–	44,000	44,000	35,200	0.64	80%
SUBTOTAL	482,000	154,000	636,000	291,300	31.29	
GRAND TOTAL	902,000	820,000	1,722,000	1,031,400	78.56	

INVESTMENT PROPERTY PERFORMANCE

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 2021 and 1H 2020:

Project	Product	Leasable GFA	Rental & related income		Changes	Occupancy rate		Changes
			1H 2021	1H 2020		30 Jun 2021	31 Dec 2020	
		sq.m.			%			ppt
Shanghai Taipingqiao								
Shanghai Xintiandi & Style I	Office/ Retail	54,000 ¹	232	123	89%	99%	97%	2
Xintiandi Style II	Retail	26,000	36	43	(16%)	74% ²	83% ²	(9)
Shui On Plaza & XINTIANDI PLAZA	Office/ Retail	53,000	91	84	8%	97%	89%	8
THE HUB	Office/ Retail	263,000	240	216	11%	97%	94%	3
Shanghai KIC	Office/ Retail/ Hotel	247,000	256	215	19%	96%	94%	2
INNO KIC	Office/ Retail	45,000	32	18	78%	87%	84%	3
Wuhan Tiandi	Retail	238,000	178	132	35%	88%	89%	(1)
Foshan Lingnan Tiandi	Office/ Retail	142,000	133	121	10%	94%	94%	–
Chongqing Tiandi	Retail	131,000 ³	37	25	48%	92%	85%	7
Nanjing INNO Zhujiang Lu	Office/ Retail	16,000	12	10	20%	91%	85%	6
CONSOLIDATED RENTAL AND RELATED INCOME		1,215,000	1,247	987	26%			
Shanghai RHXC⁴								
(Classified as joint venture income)	Retail	111,000	97	75	29%	82%	85%	(3)
Shanghai Taipingqiao								
5 Corporate Avenue, HUBINDAO ⁵	Office/ Retail	79,000	169	130	30%	88%	91%	(3)
Nanjing Corporate Avenue⁶								
(Classified as joint venture income)	Office/ Retail	87,000	57	–	–	66%	–	–
GRAND TOTAL		1,492,000⁷	1,570	1,192	32%			

Notes:

- 1 A total leasable GFA of 15,000 sq.m. was under AEI since March 2019 and was re-opened in Nov 2020.
- 2 The drop in occupancy rate is due to vacating of tenants in preparation for AEI work in 2021.
- 3 8 Corporate Avenue retail podium with a total GFA of 31,000 sq.m. is undergoing repositioning and tenant upgrades.
- 4 The Group held 49.5% effective interest in the property. Rental and related income attributable to the Group was RMB48 million in 1H 2021 and RMB37 million in 1H 2020.
- 5 The acquisition of 5 CA was completed on 20 June 2019. The Group held 44.55% effective interest of the property. Rental and related income attributable to the Group was RMB75 million in 1H 2021 and RMB58 million in 1H 2020.
- 6 The acquisition of Nanjing International Finance Center was completed in February 2021. The Group held 50% effective interest in the property. Rental and related income attributable to the Group was RMB29 million in 1H 2021.
- 7 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.

Consolidated rental and related income of the Group increased by 26% to RMB1,247 million in 1H 2021 compared to RMB987 million in 1H 2020, as the Group's commercial asset performance gradually recovered from COVID-19 and rental concessions and other reliefs offered to retail tenants in 1H 2020.

Including the properties held by joint ventures and associates, the total rental and related income increased by 32% Y/Y to RMB1,570 million in 1H 2021, of which 73% of the rental and related income was contributed by the portfolio located in Shanghai, with the remaining from other cities in China.

Performances by Major Projects

The rental and related income of **Shanghai Taipingqiao** increased by 44% to RMB359 million. The strong performance was due to higher shopper traffic and retail sales growth as well as good performance from "**Xintiandi Style I**", which soft-opened in November 2020 after AEI and repositioning. Also, a series of tenant upgrades took place with many new tenants, such as Butterful&Creamorous, Qeelin, and Le Templer.

THE HUB and **KIC** recorded 11% and 19% of rental and related income growth, respectively, in 1H 2021 compared to 1H 2020. The increase was due to stronger shopper traffic and retail sales growth as well as positive rental reversion achieved during the period. **INNO KIC**, which has a total GFA of 45,000 sq.m., contributed RMB32 million rental and related income in 1H 2021 with a current occupancy rate of 87% at the end of June 2021.

Overall, **Wuhan Tiandi** achieved rental and related income of RMB178 million compared to RMB132 million in 1H 2020. After taking a hit from COVID-19 last year, Wuhan Tiandi has achieved robust growth in rental and related income at 35% compared to the same period in 2020. The overall occupancy rate was stable at 88%.

The rental and related income generated from **Foshan Lingnan Tiandi** reached RMB133 million, a 10% increase from 1H 2020. The occupancy rate for the **NOVA shopping mall** stayed at 98% as of 30 June 2021, and the overall occupancy rate for the Lingnan Tiandi was 88%. Foshan Lingnan Tiandi phase 3, which had a soft opening in June 2020, contributed to rental and related income in 1H 2021.

Rental and related income of **Chongqing Tiandi** picked up in 1H 2021. The occupancy rate was 99% for the Tiandi retail area, and the occupancy rate of **6 and 7 Corporate Avenue retail podium** (Lot B12-3 Retail) was 81%. **8 Corporate Avenue retail podium** (Lot B12-4 Retail) has also started leasing post-repositioning.

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 91% as of the end of June 2021. **Nanjing Bai Zi Ting** 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 and self-use properties) with a total GFA of 1,949,500 sq.m. was RMB50,042 million as of 30 June 2021. The overall fair value of the portfolio increased by RMB10 million during 1H 2021. The properties located in Shanghai, Wuhan, Foshan, Chongqing, and Nanjing, respectively, contributed 67%, 13%, 17%, 3%, and 0.2% of the carrying value.

The table below summarises the carrying value of the investment properties at valuation as of 30 June 2021 together with the change in fair value for 1H 2021:

Project	Leasable GFA sq.m.	Increase /(decrease) in fair value for 1H 2021 RMB'million	Carrying value as of 30 June 2021 RMB'million	Fair Value gain/(loss) to carrying value %	Attributable carrying value to the Group RMB'million
COMPLETED INVESTMENT PROPERTIES AT VALUATION					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style I & II	80,000	31	7,915	0.4%	7,896
Shui On Plaza (Office) and XINTIANDI PLAZA	53,000	(78)	4,096	(1.9%)	3,317
THE HUB	263,000	28	8,946	0.3%	8,946
Shanghai KIC	247,000	22	8,293	0.3%	3,832
INNO KIC	45,000	1	1,460	0.1%	1,460
Shanghai RHXC	500	–	8	–	8
Wuhan Tiandi	238,000	33	6,461	0.5%	6,461
Foshan Lingnan Tiandi	142,000	13	4,134	0.3%	4,134
Chongqing Tiandi	131,000	10	1,541	0.6%	1,525
SUBTOTAL	1,199,500	60	42,854	0.1%	37,579
INVESTMENT PROPERTIES UNDER DEVELOPMENT AT VALUATION					
Shanghai Panlong Tiandi	44,000	19	635	3.0%	508
Shanghai Hong Shou Fang	62,000	3	2,117	0.1%	2,117
Foshan Lot A	254,000	(33)	1,888	(1.7%)	1,888
Foshan Lots B/C	374,000	(34)	2,450	(1.4%)	2,450
SUBTOTAL	734,000	(45)	7,090	(0.6%)	6,963
INVESTMENT PROPERTY – SUBLEASE OF RIGHT-OF-USE ASSETS					
Nanjing INNO Zhujiang Lu	16,000	(5)	98	(5.1%)	98
GRAND TOTAL	1,949,500¹	10	50,042	0.02%	44,640

Note:

¹ Hotels for operation and self-use properties are classified as property and equipment in the interim condensed consolidated statement of financial position, and their leasable GFA is excluded from this table.

PROPERTY SALES PERFORMANCE

Recognised Property Sales

For 1H 2021, total recognised property sales were RMB14,921 million (after deduction of applicable taxes). The increase was mainly due to the handover of TPQ Ville V (Lot 118), RHXC Parkview (Lot 1), and Wuhan Tiandi La Riva II (B10). The average selling price ("ASP") excluding carparks increased by 12% to RMB56,900 per sq.m. compared to 1H 2020, as more recognised sales were recorded from projects with higher ASP in Shanghai.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 1H 2021 and 1H 2020:

Project	1H 2021			1H 2020		
	Sales revenue	GFA sold	ASP ¹	Sales revenue	GFA sold	ASP ¹
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential (Lot 118)	5,935	39,500	164,500	–	–	–
Shanghai RHXC						
Residential (Lot 2)	–	–	–	65	700	98,600
Residential (Lot 1)	3,006	29,900	109,600	–	–	–
Retail	–	–	–	42	500	88,000
Wuhan Tiandi						
Residential	4,073	103,900	43,000	–	–	–
Wuhan Optics Valley Innovation Tiandi						
Residential	67	4,500	16,200	–	–	–
Foshan Lingnan Tiandi						
Residential	171	7,400	25,300	2	100	20,000
Retail	11	1,400	8,600	–	–	–
Chongqing Tiandi						
Residential	1,594 ²	98,100	21,600	–	–	–
Office & Retail	15	1,000	16,700	39	1,800	23,300
SUBTOTAL	14,872	285,700	56,900	148	3,100	50,600
Carparks	49			117		
SUBTOTAL	14,921	285,700	57,100	265	3,100	87,100
Recognised as:						
– property sales in revenue of the Group ³	10,214			161		
– revenue of associates	4,640			104		
– revenue of joint ventures	67			–		
GRAND TOTAL	14,921			265		

Notes:

- 1 The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of applicable taxes.
- 2 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Residential sales of RMB1,594 million, ancillary retail space of RMB11 million, and carparks sales of RMB29 million were contributed by Chongqing Tiandi partnership portfolio and were recognised as revenue of associates in 1H 2021. The Group holds 19.8% interest in the partnership portfolio.
- 3 Sales of commercial properties are recognised as "revenue" if the properties concerned are designated for sale prior to the commencement of development. Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposal of investment properties".

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

The Group's contracted property sales increased by 95% to RMB12,115 million in 1H 2021, compared to RMB6,222 million in 1H 2020, with residential property sales accounting for 98% and the remainder contributed by the sale of commercial units. The increase was due to strong sales performance in Shanghai RHXC Ocean One (Lot 7) and Shanghai Panlong Tiandi. The Group expects to launch more residential property developments in 2H 2021, subject to the latest construction progress of the developments and government pre-sale approval timing. The ASP of property sales was RMB51,400 per sq.m. in 1H 2021, compared to RMB64,200 per sq.m. in 1H 2020. The decrease was mainly due to changes in the project mix. In 1H 2020, a higher proportion of contracted property sales was generated from higher ASP projects in Shanghai.

As of 30 June 2021:

- i) a total subscribed sale of RMB1,821 million was recorded, among which RMB1,461 million was from Shanghai RHXC Ocean One (Lot 7). These are subject to formal sales and purchase agreements in the coming months.
- ii) a total locked-in sale of RMB17.5 billion was recorded and available for delivery to customers and recognition as revenue in 2H 2021 and beyond.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 1H 2021 and 1H 2020:

Project	1H 2021			1H 2020		
	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	968	5,700	169,800	470	2,650	177,400
Shanghai RHXC (Lot 7) ¹	4,193	36,500	114,900	–	–	–
Shanghai RHXC (Lot 1) ¹	599	5,500	108,900	3,632	34,100	106,500
Shanghai Panlong Tiandi	2,849	46,400	61,400	–	–	–
Wuhan Tiandi	–	–	–	1,344	28,950	46,400
Wuhan Optics Valley Innovation Tiandi	848	38,000	22,300	4	200	20,000
Foshan Lingnan Tiandi	71	2,800	25,400	329	13,300	24,700
Chongqing Tiandi ²	2,300	95,700	29,300	278	16,600	20,400
Carparks	46	–	–	107	–	–
SUBTOTAL	11,874	230,600	51,500	6,164	95,800	64,300
Commercial property sales:						
Shanghai RHXC	185	2,100	88,100	44	500	88,000
Foshan Lingnan Tiandi	12	1,400	8,600	–	–	–
Chongqing Tiandi	44	1,700	25,900	14	600	23,300
SUBTOTAL	241	5,200	46,300	58	1,100	52,700
GRAND TOTAL	12,115	235,800	51,400	6,222	96,900	64,200

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% interest in the partnership portfolio.

Residential GFA Available for Sale and Pre-sale in 2H 2021 and beyond

The Group has approximately 387,300 sq.m. of residential GFA spanning seven projects available for sale and pre-sale during 2H 2021 and beyond, as summarised below:

Project	Product	Available for sale and pre-sale in 2H 2021 and beyond		
		GFA in sq.m.	Group's interests %	Attributable GFA in sq.m.
Shanghai Taipingqiao Lot 118	High-rises	36,800	99%	36,400
Shanghai RHXC Lot 7	High-rises	124,700	49.50%	61,700
Shanghai RHXC Lot 167A	High-rises	46,700	49%	22,900
Shanghai Panlong Tiandi	High-rises	75,700	80%	60,600
Wuhan Tiandi	High-rises	4,200	100%	4,200
Wuhan Optics Valley Innovation Tiandi	High-rises	47,800	50%	23,900
Foshan Lingnan Tiandi	High-rises	100	100%	100
Chongqing Tiandi	High-rises	51,300	19.80%	10,200
TOTAL		387,300		220,000

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.



PROPERTY DEVELOPMENT

Residential Properties under Development

Shanghai Taipingqiao – Ville V (Lot 118) phase I was completed in May 2021 with a total GFA of 40,000 sq.m. for residential use. The Group launched the first batch for presales on 24 June 2020 with a total GFA of 40,000 sq.m.. A total amount equivalent to RMB5.9 billion was handed over and recognised as revenue during 1H 2021. The Group plans to launch the remaining batch for contracted sales in 2H 2021.

Shanghai RHXC – Parkview (Lot 1) has a total GFA of 107,000 sq.m. for residential use and 3,000 sq.m. for retail shops. The Group launched the first batch for pre-sale in late December 2019 and achieved RMB784 million in contracted sales for 1H 2021. All the units have been contracted or subscribed to as of 30 June 2021. A total GFA of 30,000 sq.m. was delivered in 1H 2021. Ocean One (Lot 7) has a total GFA of 161,000 sq.m. for residential and 2,000 sq.m. for retail shops. The first pre-sale took place in January 2021 with 240 units, and RMB4.2 billion were contracted in 1H 2021.

Shanghai Panlong Tiandi – Construction work on Lot 6 and Lot 11 commenced in March 2020, with a saleable GFA of 160,000 sq.m. for residential use. The Group launched the first batch in October 2020 with a total GFA of 94,800 sq.m.. RMB2.9 billion and RMB2.8 billion contracted sales were achieved in 2020 and 1H 2021, respectively. Handover is slated to commence in 2H 2021. Lot 5 started construction in November 2020 and is planned for pre-sale in 2H 2021.

Wuhan Tiandi – La Riva II (Lot B10) is 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 34,000 sq.m. was launched in late April 2020 with over RMB1.6 billion property sales on the day of launch. A total amount of RMB4.1 billion was recognised in revenue in 1H 2021.

Wuhan Optics Valley Innovation Tiandi – The site was acquired in 2017. The second phase (Lot R5) with saleable GFA of 111,000 sq.m. commenced a new batch of pre-sale with 127 units in 1H 2021 and achieved RMB800 million contracted sales during the period.

Foshan Lingnan Tiandi – The Masterpiece (Lot 13a) with a total GFA of 50,000 sq.m. for residential use and 1,000 sq.m. for retail space was launched for pre-sale in late 2019. A total GFA of 41,900 sq.m. was delivered in 2020, and the remaining 7,400 sq.m. was handed over in 1H 2021.

Chongqing – GLORY MANSION (Lot B13) phase I with a total GFA of 98,000 sq.m. was completed and handed over. GLORY MANSION phase II with a total GFA of 153,000 sq.m., GLORIOUS RIVER (Lots B5&B10) with a total GFA 176,000 sq.m. and QUIET MANSION (Lot B24-6) with a total GFA of 72,000 sq.m. were under construction. The Group holds 19.8% interest in the partnership portfolio.

Commercial Properties under Development

Shanghai Taipingqiao – CPIC XINTIANDI COMMERCIAL CENTER (Lots 123, 124 & 132) held a groundbreaking 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, comprising 84,000 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 handed over in 2023. The Group holds a 25% interest in the development.

Shanghai RHXC – Construction work Ruihong Tiandi Lot 10 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 shopping mall has been completed and aimed for a soft opening in September. The development of the office was completed in July 2021.

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 14,000 sq.m. retail in 2019. Construction work commenced in 2H 2020 and is planned for completion in 2022. The Group holds a 100% 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 2H 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 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 2021, the Group's landbank was 8.4 million sq.m. (comprising 6.1 million sq.m. of leasable and saleable area, and 2.3 million sq.m. for clubhouses, car parking spaces, and other facilities), spreading across twelve development projects located in the prime areas of five major PRC cities, namely: Shanghai, Wuhan, Foshan, Chongqing, and Nanjing. The leasable and saleable GFA attributable to the Group was 3.9 million sq.m.. Of the total leasable and saleable GFA of 6.1 million sq.m., approximately 1.9 million sq.m. was completed and held for sale and/or investment. Approximately 2.3 million sq.m. was under development, and the remaining 1.9 million sq.m. was held for future development.

The Group successfully acquired a mixed-use Grade-A landmark property in Nanjing with Grosvenor on a 50/50 basis in February 2021. The property consists of a 45-storey Grade-A office tower, a 7-storey retail podium, as well as 278 underground parking lots with a total GFA of 118,000 sq.m..

By way of a cautionary note, the actual completion date and relocation cost of the above-mentioned sites depend 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 year.

The Group's total landbank as of 30 June 2021, including that of its joint ventures and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA				Subtotal	Clubhouse, carpark and other facilities	Total	Group's interests	Attributable leasable and saleable GFA
	Residential	Office	Retail	Hotel/ serviced apartments					
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
COMPLETED PROPERTIES:									
Shanghai Taipingqiao	1,000	88,000	131,000	—	220,000	92,000	312,000	99.00% ¹	164,000
Shanghai RHXC	4,000	12,000	297,000	—	313,000	248,000	561,000	99.00% ²	155,000
Shanghai KIC	—	164,000	67,000	22,000	253,000	142,000	395,000	44.27% ³	117,000
THE HUB	—	93,000	170,000	—	263,000	72,000	335,000	100.00%	263,000
INNO KIC	—	41,000	4,000	—	45,000	18,000	63,000	100.00%	45,000
Wuhan Tiandi	10,000	—	238,000	—	248,000	279,000	527,000	100.00%	248,000
Wuhan Optics Valley Innovation Tiandi	114,000	—	3,000	—	117,000	104,000	221,000	50.00%	59,000
Foshan Lingnan Tiandi	2,000	16,000	158,000	43,000	219,000	152,000	371,000	100.00%	219,000
Chongqing Tiandi	—	—	135,000	—	135,000	273,000	408,000	99.00% ⁴	130,000
Nanjing International Finance Center	—	72,000	15,000	—	87,000	18,000	105,000	50.00%	44,000
SUBTOTAL	131,000	486,000	1,218,000	65,000	1,900,000	1,398,000	3,298,000		1,444,000
PROPERTIES UNDER DEVELOPMENT:									
Shanghai Taipingqiao	38,000	192,000	84,000	—	314,000	138,000	452,000	99.00% ⁵	107,000
Shanghai RHXC	247,000	135,000	3,000	—	385,000	94,000	479,000	49.50% ⁶	190,000
Shanghai Panlong Tiandi	259,000	—	44,000	4,000	307,000	129,000	436,000	80.00%	246,000
Shanghai Hong Shou Fang	—	48,000	14,000	—	62,000	22,000	84,000	100.00%	62,000
Wuhan Tiandi	72,000	160,000	1,000	—	233,000	62,000	295,000	100.00%	233,000
Wuhan Optics Valley Innovation Tiandi	36,000	119,000	14,000	—	169,000	78,000	247,000	50.00%	85,000
Foshan Lingnan Tiandi	—	—	1,000	—	1,000	—	1,000	100.00%	1,000
Chongqing Tiandi	291,000	258,000	205,000	26,000	780,000	374,000	1,154,000	19.80%	154,000
Nanjing International Finance Center	—	—	13,000	—	13,000	—	13,000	50.00%	7,000
SUBTOTAL	943,000	912,000	379,000	30,000	2,264,000	897,000	3,161,000		1,085,000
PROPERTIES FOR FUTURE DEVELOPMENT:									
Shanghai Taipingqiao	81,000	—	—	—	81,000	19,000	100,000	50.00%	41,000
Shanghai RHXC	—	107,000	12,000	—	119,000	39,000	158,000	49.00%	58,000
Wuhan Tiandi	39,000	70,000	3,000	—	112,000	—	112,000	100.00%	112,000
Wuhan Optics Valley Innovation Tiandi	175,000	366,000	333,000	—	874,000	—	874,000	50.00%	437,000
Foshan Lingnan Tiandi	28,000	450,000	107,000	80,000	665,000	—	665,000	100.00%	665,000
Chongqing Tiandi	—	—	65,000	—	65,000	—	65,000	19.80%	13,000
SUBTOTAL	323,000	993,000	520,000	80,000	1,916,000	58,000	1,974,000		1,326,000
TOTAL LANDBANK GFA	1,397,000	2,391,000	2,117,000	175,000	6,080,000	2,353,000	8,433,000		3,855,000

Notes:

- The Group has a 99.00% interest in all the remaining lots, except for Shanghai Xintiandi, Shui On Plaza including XINTIANDI PLAZA, 15th floor in Shui On Plaza, 5 CA and Lot 116, in which the Group has an effective interest of 100.00%, 80.00%, 100.00%, 44.55%, and 98.00%, respectively.
- 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, Hall of the Sun, and Parkview, in which the Group has an effective interest of 49.50%.
- The Group has a 44.27% effective interest in all the remaining lots, except for Shanghai KIC Lot 311, in which the Group has an effective interest of 50.49%.
- The Group has a 99.00% effective interest in all the remaining lots, except for Lot B13, Lot B14, and Lot B15, in which the Group has an effective interest of 19.80%.
- The Group has a 99.00% interest in Lot 118 for residential use, a 25.00% interest in Lots 123, 124 & 132 for office and retail uses.
- The Group has a 49.50% effective interest in Lot 10 for office use and Lot 7 for residential use, and 49.00% interest in Lot 167A for residential use.



MARKET OUTLOOK

In the first half of 2021, the global economy staged a rebound from the pandemic-induced recession backed by the advanced economies' aggressive fiscal policy measures and rapid vaccination rollout. However, unequal vaccine access and the mutation of COVID-19 into highly infectious viral strains are expected to setback herd immunity and normalization of international travel. Meanwhile, with global debt at elevated levels, economic recovery will be vulnerable to the tapering of policy stimulus and a rise in interest rate. Supply chain fragilities and rising inflationary pressure also constitute headwinds against a smooth recovery. Against this backdrop, the World Bank expects the economic recovery to continue in the near term, projecting global GDP growth to reach 5.6% this year after a 3.4% contraction in 2020.

China has adopted stringent testing and quarantine measures to prevent transmission of COVID-19 infection from inbound travelers. In the first half, strong export and real estate investment growth helped to lift GDP growth to 12.7%. China has adopted a "dual circulation" strategy to support domestic consumption and bolster indigenous innovation in the 14th Five-Year Plan period. The government plans to pursue green and higher-quality development, aiming to achieve a carbon emission peak by 2030 and carbon neutrality by 2060. To ease funding constraints of small and medium enterprises, the PBOC lowered the Reserve Requirement Ratio (RRR) by 50 basis points in July, setting the economy on track to achieve 8.5% growth in 2021.

In the first half, the residential property market staged a strong rally, marked by sales area and sales revenue growth of 29.4% and 41.9%, respectively. Home purchase sentiments remained upbeat, despite the average home mortgage rate rising to above 5.3% by mid-year. To prevent the housing market from overheating, some cities have tightened the issuance of presale permits and stepped up oversight on property financing. After imposing the “three red lines” regulation last year to rein in developer leverage, the government introduced a pilot “land supply centralization” policy for 22 cities, aiming to deter vicious competition that would drive up land prices. Market sentiment is expected to cool down under a tight policy environment, and with occasional flare-up of COVID-19 cases in the second half year. China’s urbanization rate rose 14.2% in the last decade, climbing from 49.7% in 2010 to 63.9% in 2020. In light of ongoing household registration (“hukou”) reform, the trend of rural residents relocating to seek opportunities in the Greater Bay Area, Yangtze Delta, Jing-Jin-Ji, Central and Western China is set to continue.

In 1H 2021, office leasing demand recovered steadily from the pandemic downturn, led by firms in the technology, trading, and financial services sectors. According to Jones Lang LaSalle (JLL), Shanghai Grade-A office leasing activities rose in the second quarter, resulting in respective quarter-on-quarter rental growth of 0.7% and 0.3% in decentralized and CBD areas. China’s 14th Five-Year Plan places digitalization and high tech as development priorities, which is beneficial to major technology and innovation centres in Beijing, Shanghai, and Shenzhen. Despite some volatility in the near term from the retrenchment of e-learning businesses, office leasing activities of the domestic firms are expected to remain strong. Nevertheless, abundant supply overhang will be interim headwinds for office markets in Shanghai and Wuhan.

Consumer sentiment continued to recover in the first half of 2021 despite soft income growth and sporadic COVID-19 outbreaks. In July, the Ministry of Commerce outlined a number of measures to accelerate recovery of the catering sector and render support for home appliances, furniture, and automobile consumption. Strong sales of luxury goods and several high-profile new mall openings have spurred retailers’ business expansion appetite. In the second quarter, Shanghai’s retail malls reversed last year’s decline and posted 1.4% quarter-on-quarter rental growth for prime ground floor space, while quarter-on-quarter rents in the decentralized area edged up by 0.7%, following active tenant adjustments.

Shanghai recovered steadily from COVID-19 as it enters a critical phase of its development as a global city. The municipality continues to be a magnet for foreign investment, with GDP growth rising 12.7% in the first half-year. Shanghai’s 14th Five-Year Plan provides a comprehensive blueprint to further open up and pursue high-level reform, strengthen scientific and technological innovation, planning to achieve significant strides towards digitalization. In February, the State Council announced the “Hongqiao International Opening Hub” development plan to build an international central business district to promote the integrated development of the Yangtze Delta region. In July, the Central government granted Pudong greater autonomy to lead future development and serve as a pioneer for socialist modernization. These policies will further enhance Shanghai’s global significance as an international financial centre and technology innovation hub.

In 1H 2021, Chongqing achieved a GDP growth of 12.8%, with the support of high-tech manufacturing and rapid growth of strategic emerging industries. Consumption growth picked up strongly in the first half, marked by a 29.9% increase in retail sales, 5.4% higher than the national average. In July, the State Council granted approval for Chongqing to build an “International Consumption Centre”, which will energize the development of its travel and tourism industries. In the past decade, the resident population increased from 28.9 million in 2010 to 32.1 million in 2020, a sign that economic transformation and job creation had succeeded to reverse the municipality’s population outflow. In the 14th Five-Year Plan, a comprehensive transportation network encompassing aviation, shipping, rapid-transit, high-speed rail, and highways will be constructed. This should further strengthen Chongqing’s role as a multi-modal transportation hub serving the upper reaches of the Yangtze River.

The economy of Wuhan showed strong resiliency coming out of the pandemic crisis, registering a GDP growth of 28.6% in the first half of 2021. The city has ample tertiary education resources and a strong talent pool, ranking second nationwide after Guangzhou in terms of university student numbers. Wuhan’s resident population increased by 2.54 million in the last decade, reflecting the city’s strong appeal to university graduates and job seekers. In the 14th Five-Year Plan, Wuhan plans to enhance its competitiveness as “National Centre City”, leveraging technology and innovation as drivers of economic development. The city will upgrade its strategic industries, promote information technology and high-end manufacturing, aiming to move up the industrial value chain.

After attaining a RMB1.08 trillion GDP milestone last year, Foshan continued stable growth to achieve 17.3% economic growth in 1H 2021. Foshan and Guangzhou plan to integrate further to create a 30-minute commuting circle between the two cities through improving Foshan transit network connection with Guangzhou metro lines 25 and 28, with the goal of creating a super metropolitan area. As a dynamic economic region in South China, Guangzhou and Foshan have experienced a respective increase in population by 6.0 million and 2.3 million in the last decade. In the 14th Five-Year Plan period, the government aims to upgrade the education and technology sectors to enhance the city's competitiveness.

In the first half of 2021, Nanjing registered a GDP growth of 12.7%. The government aims to become a global innovation city, leveraging its vibrant technology industry and a strong pool of 0.85 million college students. The city received high "intellectual capital and innovation" scores in PWC's "Chinese Cities of Opportunity 2021" report, demonstrating its competitiveness in the high-tech sectors. In February 2021, the "Nanjing Metropolitan Area Development Plan" was approved, setting the stage for Nanjing city to form a dynamic metropolitan area closely integrated with neighbor cities in Anhui province. The city has recently relaxed household registration requirements for Pukou, Liuhe, Lishui, and Gaochun districts, which should bode well for labor inflows and the residential market.

The global economy is experiencing an uneven recovery with growth led by China and the United States. The buildup in government debt in many economies and the onset of new COVID-19 variants will prolong the time for returning to business as usual. While the market outlook is clouded by tense US-China relations, the underlying urbanization trend in China remains intact and will continue to support domestic consumption and the real estate industry. In particular, there will be ample opportunity for urban renewal and sustainable community development projects in the Yangtze River Delta, the Greater Bay Area, and Central China. We will remain vigilant in monitoring the market risks but be prepared to tap into new opportunities accorded by the development trends in the 14th Five-Year Plan period.



FINANCIAL REVIEW

The Group's **revenue** for the six months ended 30 June 2021 ("1H 2021") jumped by 726% to RMB11,977 million (1H 2020: RMB1,450 million), mainly from a significant increase in property sales.

Property sales in 1H 2021 increased sharply to RMB10,214 million (1H 2020: RMB161 million), mainly comprised of RMB5,935 million from Taipingqiao Ville V and RMB4,073 million from Wuhan Tiandi La Riva II. As a comparison, property sales in 1H 2020 comprised primarily sales of property and carpark inventories at different projects.

Income from property investment in 1H 2021 increased to RMB1,271 million (1H 2020: RMB1,003 million), of which **rental and related income** from investment properties was RMB1,247 million (1H 2020: RMB987 million), representing a 26% Y/Y increase. During 1H 2020, the operations and performances of our investment properties were significantly affected by the outbreak of COVID-19, resulting in a notable decline in rental and related income. There was no such negative impact during 1H 2021.

Rental and related income from the Group's Shanghai properties, which accounted for 71% (1H 2020: 71%) of the total rental and related income, increased by 27% to RMB887 million (1H 2020: RMB699 million). The rental and related income from the Group's non-Shanghai properties totaled RMB360 million in 1H 2021, representing a 25% Y/Y increase.

Construction income generated by the construction business increased to RMB268 million in 1H 2021 (1H 2020: RMB116 million). The increase was mainly generated from the construction services rendered to the local government at Shanghai's Qingpu District.

Gross profit in 1H 2021 recorded a 413% Y/Y increase to RMB4,944 million (1H 2020: RMB964 million) which was resulted from the significant increase in Group revenue, while **gross profit margin** declined to 41% (1H 2020: 66%) due to a lower proportion of gross profit contributed by property investment, accounting for 20% (1H 2020: 78%) of total gross profit.

Other income in 1H 2021 declined 15% to RMB108 million (1H 2020: RMB127 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 associates.

Selling and marketing expenses in 1H 2021 increased by 58% to RMB104 million (1H 2020: RMB66 million) as a result of higher selling and promotional activities in 1H 2021, which is in line with the robust property sales in 1H 2021.

General and administrative expenses, which comprises staff costs, depreciation charges, and advisory costs incurred, increased slightly to RMB492 million in 1H 2021 (1H 2020: RMB456 million).

Increase in fair value of investment properties totaled RMB10 million in 1H 2021 (1H 2020: decrease RMB1,510 million), representing a 0.02% increase in valuation when compared with the carrying value of investment properties as of 30 June 2021. The investment property portfolio in Shanghai recorded a valuation gain of RMB26 million, and the investment property portfolio outside Shanghai recorded a slight loss of RMB16 million. The significant decline in the fair value of our investment property portfolio in 1H 2020 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 RMB134 million in 1H 2021 (1H 2020: net loss of RMB163 million), mainly comprised of:

Gains/(losses)	1H 2021 RMB'million	1H 2020 RMB'million
Cost arising from hedging activities	(78)	(66)
Impairment loss for commercial lands costs	–	(452)
(Loss)/gain from fair value change of derivative financial instruments	(16)	32
Premium paid for tender and exchange of senior notes	–	(69)
Loss from fair value change of liability arising from a rental guarantee arrangement	(38)	(43)
Write back of excess provision for relocation costs	–	441

Share of results of associates and joint ventures recorded a gain of RMB200 million in 1H 2021 (1H 2020: loss of RMB57 million). It was mainly contributed by the JV project with GRANDJOY in Shanghai RHXC (Lot 1), which commenced delivery of residential properties in 2H 2020, contributing a gain of RMB163 million (1H 2020: loss of RMB13 million).

Finance costs, inclusive of exchange differences, amounted to RMB498 million in 1H 2021 (1H 2020: RMB808 million). Total interest costs declined by 18% to RMB922 million (1H 2020: RMB1,126 million). Of these interest costs, 42% (1H 2020: 56%) or RMB388 million (1H 2020: RMB629 million) was capitalised as cost of property development, with the remaining 58% (1H 2020: 44%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. An exchange gain of RMB74 million (1H 2020: loss of RMB275 million) was recorded as a result of the appreciation of the RMB against the HKD and the USD in 1H 2021.

Taxation recorded an amount of RMB2,748 million in 1H 2021 (1H 2020: credit of RMB689 million), of which land appreciation tax was RMB1,596 million (1H 2020: RMB30

million). The credit amount 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, which is 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.

Profit in 1H 2021 was RMB1,288 million (1H 2020: loss of RMB1,286 million).

Profit attributable to shareholders of the Company in 1H 2021 was RMB1,082 million (1H 2020: loss of RMB1,622 million).

Core earnings of the Group are as follows:

	Six months ended 30 June		Change %
	2021 RMB'million	2020 RMB'million	
Profit/(loss) attributable to shareholders of the Company	1,082	(1,622)	
(Increase)/decrease in fair value of investment properties, net of tax	(5)	1,192	
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 (gains)/loss of investment properties, net of tax	(34)	31	
	(39)	1,565	
Non-controlling interests	(1)	(12)	
Net effect of changes in the valuation	(40)	1,553	
Profit/(loss) attributable to shareholders of the Company before revaluation	1,042	(69)	
Add:			
Profit attributable to owners of convertible perpetual capital securities	–	49	
Profit attributable to owners of perpetual capital securities	126	137	
Core earnings of the Group	1,168	117	898%

Earnings per share in 1H 2021 was RMB13.5 cents, calculated based on a weighted average of approximately 8,044 million shares in issue in 1H 2021 (1H 2020: loss per share RMB20.2 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue).

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

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

Having taken into consideration the Group's financial performance during the period, the Board has resolved to recommend the payment of a 2021 interim dividend of HKD0.036 per share (1H 2020: nil).

Major Acquisition

In June 2021, the Group, through an indirect wholly-owned subsidiary, established a 50/50 joint venture with a JV partner (Shanghai Yongye Enterprise (Group) Co., Ltd.) to carry out the property development project at the Lands in Huangpu District, Shanghai. The total investment amount of the JV Company is USD1,425 million. For details, please refer to the circular issued by the Company dated 23 July 2021.

Liquidity, Capital Structure, and Gearing Ratio

Up to the date of this announcement, the Group has arranged two repayments of senior notes and one new issuance of senior notes. Refinancing is used to pro-actively manage our overall debt maturity. The details are as follows:

- In February and March 2021, the Group fully repaid an aggregate principal amount of USD262 million at a yield of 5.700% per annum and an aggregate principal amount of RMB2,200 million senior notes at a yield of 6.875% per annum.
- On 29 June 2021, the Group issued USD400 million sustainability-linked bonds with a maturity of five years due on 29 June 2026, bearing a coupon at 5.5% per annum.

The structure of the Group’s borrowings as of 30 June 2021 is summarised below:

	Total (in RMB equivalent) RMB'million	Due within one year RMB'million	Due in more than one year but not exceeding two years RMB'million	Due in more than two years but not exceeding five years RMB'million	Due in more than five years RMB'million
Bank borrowings – RMB	7,489	710	1,582	2,396	2,801
Bank borrowings – HKD	3,960	2,701	1,259	–	–
Bank borrowings – USD	9,179	2,166	5,097	1,916	–
Senior notes – USD	14,558	2,290	–	12,268	–
Receipts under securitisation arrangements – RMB	507	507	–	–	–
TOTAL	35,693	8,374	7,938	16,580	2,801

Total cash and bank deposits amounted to RMB14,367 million as of 30 June 2021 (31 December 2020: RMB15,796 million), which included RMB4,449 million (31 December 2020: RMB4,506 million) of restricted bank deposits, which can only be applied to designated property development projects of the Group.

As of 30 June 2021, the Group’s net debt was RMB21,326 million (31 December 2020: RMB21,063 million), and its total equity was RMB47,913 million (31 December 2020: RMB46,733 million). The Group’s net gearing ratio was 45% as of 30 June 2021 (31 December 2020: 45%), calculated based on the excess of the sum of senior notes, receipts under securitisation arrangements, bank borrowings net of bank balances, and cash (including restricted bank deposits) over the total equity. Our stable financials should enable the Group to better withstand the volatile macroeconomic conditions in the near future.

As of 30 June 2021, HKD/USD borrowings, including senior notes (unhedged), net off HKD/USD cash, and bank deposits, amounted to approximately RMB13,165 million, which is around 37% of the total borrowings (31 December 2020: 33%).

Total undrawn banking facilities available to the Group amounted to approximately RMB8,697 million as of 30 June 2021 (31 December 2020: RMB7,668 million).

Pledged Assets

As of 30 June 2021, the Group had pledged investment properties, property, and equipment, right-of-use assets, properties under development for sale, and receivables totalling RMB39,570 million (31 December 2020: RMB43,622 million) to secure the Group’s borrowings of RMB10,120 million (31 December 2020: RMB11,921 million).



Capital and Other Development Related Commitments

As of 30 June 2021, the Group had contracted commitments for development costs, capital expenditure and other investments in the amount of RMB3,167 million (31 December 2020: RMB2,990 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 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 2021. Thus, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 30 June 2021, the Group has entered into approximately USD1,560 million and HKD1,050 million of forward contracts to hedge the USD and HKD currency risk against RMB. 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 three to fifteen years for both project construction loans and 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.

On 30 June 2021, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Offered Rates ("HIBOR"), London Inter-bank Offered Rates ("LIBOR") and Loan Prime Rate ("LPR"). The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interest at variable rates at HIBOR and pay interests at fixed rates ranging from 0.27% to 0.47%; receive interest at variable rates at LIBOR and pay interests at fixed rates ranging from 0.22% to 0.235%, based on the notional aggregate amounts of HKD3,020 million and USD200 million respectively. 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 2021, 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

- 1) The Group provided guarantees of RMB1,948 million on 30 June 2021 (31 December 2020: RMB1,181 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.
- 2) The Group provided a guarantee of RMB250 million as of 30 June 2021 (31 December 2020: RMB250 million) to a third party for two years with respect to the fulfilment of payment obligation of a joint venture of the Group, arising from the acquisition of a project company in Nanjing. The acquisition was completed in February 2021, and then the payment obligation was fulfilled by the joint venture.

INDEPENDENT REVIEW REPORT



To the Board of Directors of Shui On Land Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 55, which comprises the condensed consolidated statement of financial position of Shui On Land Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
24 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June	
		2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
Revenue of the Group	3A	11,977	1,450
Cost of sales		(7,033)	(486)
Gross profit		4,944	964
Other income		108	127
Selling and marketing expenses		(104)	(66)
General and administrative expenses		(492)	(456)
Increase/(decrease) in fair value of investment properties	10	10	(1,510)
Other gains and losses	4	(134)	(163)
Share of results of associates and joint ventures		200	(57)
Finance costs, inclusive of exchange differences	5	(498)	(808)
Reversal/(provision) of impairment losses under expected credit loss model	6	2	(6)
Profit/(loss) before tax	6	4,036	(1,975)
Tax	7	(2,748)	689
Profit/(loss) for the period		1,288	(1,286)
Attributable to:			
Shareholders of the Company		1,082	(1,622)
Owners of convertible perpetual capital securities		–	49
Owners of perpetual capital securities		126	137
Non-controlling shareholders of subsidiaries		80	150
		206	336
		1,288	(1,286)
Earnings/(loss) per share	9		
– Basic		RMB13.5 cents	RMB(20.2) cents
– Diluted		RMB13.5 cents	RMB(20.2) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
Profit/(loss) for the period	1,288	(1,286)
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	–	(1)
Fair value adjustments on currency forward contracts designated as cash flow hedges	387	(101)
Fair value adjustments on interest rate swaps designated as cash flow hedges	(3)	(1)
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	(357)	158
Share of other comprehensive income/(loss) of joint ventures and an associate	16	(16)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Gain on revaluation of properties transferred from property, and equipment to completed investment properties, net of tax	–	20
Other comprehensive income for the period	43	59
Total comprehensive income/(expense) for the period	1,331	(1,227)
Total comprehensive income/(expense) attributable to:		
Shareholders of the Company	1,125	(1,567)
Owners of convertible perpetual capital securities	–	49
Owners of perpetual capital securities	126	137
Non-controlling shareholders of subsidiaries	80	154
	206	340
	1,331	(1,227)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2021

	Notes	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Non-current assets			
Investment properties	10	50,462	51,220
Interests in associates	11	8,044	7,828
Interests in joint ventures	14	13,230	11,973
Property and equipment		1,200	1,235
Right-of-use assets		62	76
Receivables, deposits and prepayments	12	224	335
Pledged bank deposits		–	1,313
Deferred tax assets		300	825
Other non-current assets		99	99
		73,621	74,904
Current assets			
Properties under development for sale		16,322	21,247
Properties held for sale		1,205	938
Receivables, deposits and prepayments	12	2,685	2,440
Loans to/amounts due from associates	11	540	196
Loans to/amounts due from joint ventures	14	11	20
Amounts due from related companies		434	440
Contract assets	13	268	305
Prepaid taxes		246	502
Bank balances and cash		14,367	14,483
		36,078	40,571
Current liabilities			
Accounts payable, deposits received and accrued charges	15	6,877	6,840
Contract liabilities		5,930	12,907
Bank borrowings – due within one year		5,577	6,976
Senior notes	16	2,290	6,273
Receipts under securitisation arrangements		507	11
Tax liabilities		4,123	2,910
Loans from/amounts due to non-controlling shareholders of subsidiaries		1,463	1,511
Amounts due to associates		1,242	799
Amount due to a joint venture		78	12
Amounts due to related companies		377	377
Derivative financial instruments	17	184	722
Liability arising from a rental guarantee arrangement	22	166	175
Lease liabilities		17	28
		28,831	39,541
Net current assets		7,247	1,030
Total assets less current liabilities		80,868	75,934

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 JUNE 2021

		30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
	Notes		
Non-current liabilities			
Bank borrowings – due after one year		15,051	13,307
Senior notes	16	12,268	9,790
Receipts under securitisation arrangements		–	502
Liability arising from a rental guarantee arrangement	22	–	117
Deferred tax liabilities		5,564	5,409
Lease liabilities		67	71
Defined benefit liabilities		5	5
		32,955	29,201
Capital and reserves			
Share capital		146	146
Reserves		39,556	38,431
Equity attributable to shareholders of the Company		39,702	38,577
Perpetual capital securities		4,066	4,062
Non-controlling shareholders of subsidiaries		4,145	4,094
		8,211	8,156
Total equity		47,913	46,733
Total equity and non-current liabilities		80,868	75,934

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to shareholders of the Company							Attributable to shareholders of the Company									
	Share capital RMB'million	Share premium RMB'million	Merger reserve RMB'million	Special reserve RMB'million	Share option reserve RMB'million	Share award reserve RMB'million	Exchange reserve RMB'million	Hedge reserve RMB'million	Other reserves RMB'million	Property revaluation reserves RMB'million	Retained earnings RMB'million	Sub-total RMB'million	Convertible perpetual capital securities RMB'million	Perpetual capital securities RMB'million	Non-controlling shareholders of subsidiaries RMB'million	Sub-total RMB'million	Total RMB'million
At 1 January 2021 (audited)	146	18,078	122	(135)	5	10	(133)	(54)	(190)	104	20,624	38,577	–	4,062	4,094	8,156	46,733
Profit for the period	–	–	–	–	–	–	–	–	–	–	1,082	1,082	–	126	80	206	1,288
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	–	–	–	–	–	–	(357)	–	–	–	(357)	–	–	–	–	(357)
Fair value adjustments on currency forward contracts designated as cash flow hedges	–	–	–	–	–	–	–	387	–	–	–	387	–	–	–	–	387
Fair value adjustments on interest rate swaps designated as cash flow hedges	–	–	–	–	–	–	–	(3)	–	–	–	(3)	–	–	–	–	(3)
Share of other comprehensive income of joint ventures and an associate	–	–	–	–	–	–	6	–	10	–	–	16	–	–	–	–	16
Total comprehensive income for the period	–	–	–	–	–	–	6	27	10	–	1,082	1,125	–	126	80	206	1,331
Capital reduction by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(25)	(25)	(25)
Transfer out upon formation of a joint venture	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3)	(3)	(3)
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	(122)	–	(122)	(122)
Dividend declared to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)	(1)
At 30 June 2021 (unaudited)	146	18,078*	122*	(135)*	5*	10*	(127)*	(27)*	(180)*	104*	21,706*	39,702	–	4,066	4,145	8,211	47,913
At 1 January 2020 (audited)	146	18,078	122	(135)	8	10	(185)	(115)	76	88	21,983	40,076	1,345	4,056	3,830	9,231	49,307
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	–	(1,622)	(1,622)	49	137	150	336	(1,286)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(1)	–	–	–	–	(1)	–	–	–	–	(1)
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	–	–	–	–	–	–	158	–	–	–	158	–	–	–	–	158
Fair value adjustments on currency forward contracts designated as cash flow hedges	–	–	–	–	–	–	–	(101)	–	–	–	(101)	–	–	–	–	(101)
Fair value adjustments on interest rate swaps designated as cash flow hedges	–	–	–	–	–	–	–	(1)	–	–	–	(1)	–	–	–	–	(1)
Gain on revaluation of properties transferred from property and equipment to completed investment properties	–	–	–	–	–	–	–	–	–	16	–	16	–	–	4	4	20
Share of other comprehensive loss of a joint venture and an associate	–	–	–	–	–	–	(3)	–	(13)	–	–	(16)	–	–	–	–	(16)
Total comprehensive (loss)/income for the period	–	–	–	–	–	–	(4)	56	(13)	16	(1,622)	(1,567)	49	137	154	340	(1,227)
Capital injection by non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	100	100	100
Lapse of share options	–	–	–	–	(3)	–	–	–	–	–	3	–	–	–	–	–	–
2019 final dividend of HKD0.084 per share paid	–	–	–	–	–	–	–	–	–	–	(623)	(623)	–	–	–	–	(623)
Redemption of convertible perpetual capital securities	–	–	–	–	–	–	–	–	(256)	–	–	(256)	(1,335)	–	–	(1,335)	(1,591)
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	(136)	–	(136)	(136)
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	(59)	–	–	(59)	(59)
At 30 June 2020 (unaudited)	146	18,078*	122*	(135)*	5*	10*	(189)*	(59)*	(193)*	104*	19,741*	37,630	–	4,057	4,084	8,141	45,771

* These reserve accounts comprised the consolidated reserves of RMB39,556 million and RMB37,484 million as at 30 June 2021 and 30 June 2020, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
Net cash from operating activities		
Decrease/(increase) in inventories of properties	4,923	(601)
Increase in receivables, deposits and prepayments	(128)	(464)
Decrease/(increase) in contract assets	37	(17)
Increase in accounts payable, deposits received and accrued charges	37	918
(Decrease)/increase in contract liabilities	(6,977)	3,695
Other operating cash flows	3,473	109
	1,365	3,640
Net cash from/(used in) investing activities		
Interest received	76	94
Decrease/(additions) to investment properties	366	(122)
Proceeds from disposal of associates	8	83
Withdrawal of pledged bank deposits	1,313	478
Placement of pledged bank deposits	–	(1,787)
Investments in associates	(21)	(15)
Advances to joint ventures	(185)	(105)
Investment in joint ventures	(778)	–
Repayments from joint ventures	262	–
Deposits for acquired commercial land	–	(79)
Deposits for acquisition of a new project	–	(40)
Payments made under a rental guarantee arrangement	(164)	(166)
Other investing cash flows	(12)	(70)
	865	(1,729)
Net cash used in financing activities		
Capital injected by non-controlling shareholders of subsidiaries	–	100
Repayments of loans from a non-controlling shareholder	(32)	–
Repayments of lease liabilities	(18)	(13)
Repayment of receipts under securitisation arrangements	(6)	(4)
Drawdown of bank borrowings	6,429	4,227
Repayments of bank borrowings	(5,984)	(2,647)
(Decrease)/increase of senior notes	(1,373)	578
Settlements for derivative financial instruments designated as cash flow hedges	(743)	148
Interests paid	(933)	(1,075)
Payment of dividends	–	(623)
Distribution to owners of perpetual capital securities	(122)	(136)
Distribution to owners of convertible perpetual capital securities	–	(59)
Dividend paid to non-controlling shareholders of subsidiaries	(6)	(34)
Capital reduction paid to a non-controlling shareholder	(36)	(2)
Redemption of convertible perpetual capital securities	–	(1,591)
Loans from an associate	500	–
	(2,324)	(1,131)
Net (decrease)/increase in cash and cash equivalents	(94)	780
Cash and cash equivalents at the beginning of the period	14,483	10,570
Effect of foreign exchange rate changes	(22)	14
Cash and cash equivalents at the end of the period	14,367	11,364
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	14,367	11,364

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

1. General

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, 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 9,

IAS 39 and IFRS 7,

IFRS 4 and IFRS 16

Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

*COVID-19-Related Rent Concessions
beyond 30 June 2021 (early adopted)*

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

2. Changes In Accounting Policies and Disclosures (continued)

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

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. No reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3A. Revenue Information

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
Property development:		
Property sales	10,214	161
Property management fee income	57	42
	10,271	203
Property investment:		
Income from hotel operations	24	16
Property management fee income	157	90
	181	106
Construction	268	116
Others	167	128
	10,887	553
Geographical markets		
Shanghai	6,524	450
Wuhan	4,102	12
Foshan	233	44
Chongqing	22	46
Nanjing	6	1
	10,887	553
Timing of revenue recognition		
At a point in time	10,214	161
Over time	673	392
	10,887	553

3A. Revenue Information (continued)

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

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
Property development:		
Property sales	10,214	161
Property management fee income	57	42
	10,271	203
Property investment:		
Income from hotel operations	24	16
Property management fee income	157	90
	181	106
Construction	268	116
Others	167	128
Revenue from contracts with customers	10,887	553
Rental income received from investment properties (property investment segment)	977	815
Rental related income (property investment segment)	113	82
	11,977	1,450

3B. Segmental Information

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

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

3B. Segmental Information (continued)

	Six months ended 30 June 2021 (Unaudited)					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Reportable segment total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External revenue of the Group	10,271	1,271	268	11,810	167	11,977
SEGMENT RESULTS						
Segment results of the Group	3,736	734	2	4,472	64	4,536
Interest income						105
Share of results of associates and joint ventures						200
Finance costs, inclusive of exchange differences						(498)
Other gains and losses						(134)
Reversal of impairment losses under expected credit loss model						2
Unallocated income						5
Unallocated expenses						(180)
Profit before tax						4,036
Tax						(2,748)
Profit for the period						1,288

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

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

4. Other Gains and Losses

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
Cost arising from hedging activities	(78)	(66)
Loss from fair value change of liability arising from a rental guarantee arrangement	(38)	(43)
(Loss)/gain from fair value change of derivative financial instruments	(16)	32
Payable for relocation costs written back	–	441
Impairment loss on investment properties under development at cost and properties under development for sale	–	(452)
Premium for tender and exchange of senior notes	–	(69)
Others	(2)	(6)
	(134)	(163)

5. Finance Costs, Inclusive of Exchange Differences

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
Interest on bank borrowings	474	750
Interest on senior notes	433	374
Interest on loans from an associate	13	–
Interest expenses from lease liabilities	2	2
Total interest costs	922	1,126
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(388)	(629)
Interest expenses charged to profit or loss	534	497
Net exchange (gain)/loss on bank borrowings and other financing activities	(74)	275
Others	38	36
	498	808

6. Profit/(Loss) Before Tax

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
Operating profit/(loss) has been arrived at after charging (crediting):		
Depreciation of property and equipment	47	44
Depreciation of right-of-use assets	16	16
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	513	471
Retirement benefits costs	23	11
	536	482
Total employee benefits expenses	556	502
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(56)	(58)
	500	444
(Reversal)/provision for impairment losses of receivables	(2)	6
Cost of properties sold recognised as an expense	6,382	54
Reversal of impairment on properties held for sale (included in "cost of sales")	(2)	–
Lease payments relating to short-term leases and low-value leases	3	3

7. Tax

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
PRC Enterprise Income Tax ("EIT")		
– Charge for the period	802	34
Deferred Tax		
– Charge/(credit) for the period	339	(757)
PRC Land Appreciation Tax ("LAT")		
– Charge for the period	1,596	30
PRC Withholding Tax		
– Charge for the period	11	4
	2,748	(689)

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

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

8. Dividends

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
No final dividend for 2020		
(2020:final dividend paid in respect of 2019 of HKD0.084 per share)	–	623

Having taken into consideration the Group's financial performance during the period, the Board has resolved to recommend the payment of a 2021 interim dividend of HKD0.036 per share (1H 2020: nil).

9. Earnings/(Loss) Per Share

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

Earnings/(loss)

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
Earnings/(loss) for the purpose of basic earnings/(loss) per share, being profit/(loss) for the period attributable to shareholders of the Company	1,082	(1,622)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	1,082	(1,622)

Number of shares

	Six months ended 30 June	
	2021 million (Unaudited)	2020 million (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share (note (a))	8,044	8,044
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,044	8,044
Basic earnings/(loss) per share (note (c))	RMB13.5 cents HKD16.2 cents	RMB(20.2) cents HKD(22.3) cents
Diluted earnings/(loss) per share (note (c))	RMB13.5 cents HKD16.2 cents	RMB(20.2) cents HKD(22.3) cents

Notes:

- The weighted average number of ordinary shares shown above has been arrived at after deducting 17,710,250 (six months ended 30 June 2020: 17,710,250) shares held by a share award scheme trust as set out in note 18.
- 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 2021 and 2020.
- 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 HKD1.1976 for the six months ended 30 June 2021 and RMB1.000 to HKD1.1025 for the six months ended 30 June 2020, being the average exchange rates that prevailed during the respective periods.

10. Investment Properties

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	42,854	42,787
Investment properties under construction or development, stated at fair value	7,090	6,785
stated at cost	420	1,545
	7,510	8,330
Investment property – sublease of right-of-use assets	98	103
	50,462	51,220

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

	Completed investment properties at fair value RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Investment property – sublease of right-of-use assets RMB'million	Total RMB'million
At 1 January 2021 (audited)	42,787	6,785	1,545	103	51,220
Additions/(decrease)	7	350	(598)	–	(241)
Transfer out upon formation of a joint venture	–	–	(527)	–	(527)
Increase/(decrease) in fair value recognised in profit or loss	60	(45)	–	(5)	10
At 30 June 2021 (unaudited)	42,854	7,090	420	98	50,462
At 1 January 2020 (audited)	42,888	2,915	5,997	113	51,913
Additions	19	129	115	1	264
Transfer from property and equipment	44	–	–	–	44
Transfer from investment properties under construction or development at cost to investment properties under construction or development at fair value	–	4,328	(4,328)	–	–
Transfer to property and equipment	(232)	–	–	–	(232)
Decrease in fair value recognised in profit or loss	(1,331)	(174)	–	(5)	(1,510)
Impairment loss on investment properties under development at cost	–	–	(225)	–	(225)
At 30 June 2020 (unaudited)	41,388	7,198	1,559	109	50,254

10. Investment Properties (continued)

The fair values of the Group's investment properties at 30 June 2021 and 31 December 2020 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

For the completed investment properties and investment property – sublease of right-of-use assets, the valuations have been arrived at using the income approach: term and reversion method. In this valuation method, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For the investment properties under construction or development that are measured at fair value, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which is estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as the developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on the analyses of recent land transactions and market value of similar completed properties in the respective locations.

At 30 June 2021, the Group's investment properties with a total carrying amount of RMB31,677 million (2020: RMB31,592 million) were pledged to secure banking facilities granted to the Group (note 19).

11. Interests in Associates/Amounts Due from Associates

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Interests in associates		
– Cost of investments, unlisted	7,615	7,594
– Share of post-acquisition results, net of effect on elimination of unrealised intercompany transactions	431	244
– Share of other comprehensive loss of an associate	(2)	(10)
	8,044	7,828
Amounts due from associates – current		
– Unsecured, interest-free and repayable on demand	540	196
	540	196

12. Receivables, Deposits and Prepayments

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Non-current balance comprises:		
Rental receivables in respect of rent-free periods	224	275
Trade receivables relating to goods and services	–	60
	224	335
Current balance comprises:		
Rental receivables in respect of rent-free periods	155	132
Trade receivables		
– goods and services	137	54
– operating lease receivables	24	26
Prepayments of relocation costs (Note)	797	750
Receivables from disposal of associates and a joint venture	254	250
Receivables from disposal of subsidiaries	500	500
Other deposits, prepayments and receivables	356	443
Input value-added tax	462	285
	2,685	2,440

Note:

The balances represent the amounts that will be compensated by the government upon the relocation is completed.

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 receivables, deposits and prepayments are trade receivable balances of RMB161 million (31 December 2020: RMB140 million), of which 37% (2020: 44%) are not yet past due, 38% (2020:34%) are aged less than 90 days, and 25% (2020: 22%) are aged over 90 days, as compared to when revenue was recognised.

13. Contract Assets

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Construction	268	305

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on construction. The contract assets are transferred to trade receivables when the rights become unconditional.

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

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

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Interests in joint ventures		
– Costs of investments, unlisted (Note)	9,893	8,727
– Impairment provision	(376)	(376)
– Share of post-acquisition results, net of effect on elimination of unrealised intercompany transactions	188	198
– Share of other comprehensive income of joint ventures	48	40
	9,753	8,589
Loans to joint ventures – non-current		
– Unsecured, interest bearing at 110% of People's Bank of China("PBOC") Prescribed Interest rate	2,010	1,930
Amounts due from joint ventures – non-current		
– Unsecured, interest-free	1,467	1,454
	13,230	11,973
Amounts due from joint ventures – current		
– Unsecured, interest-free and repayable on demand	11	20
	11	20

Note:

On 7 June 2021, the Group through an indirectly wholly owned subsidiary, entered into an agreement with a JV partner to establish Shanghai Fu Ji Properties Co., Ltd. ("Shanghai Fu Ji") for carrying out the property development project in Shanghai. Pursuant to the joint venture agreement, the Group and the JV partner will own 50% equity interests each and are considered to have joint control over Shanghai Fu Ji as all major decisions require unanimous approval of all directors of the joint venture.

15. Accounts Payable, Deposits Received and Accrued Charges

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Current portion comprise:		
Trade payables	2,406	2,123
Land and relocation cost payable	1,501	1,604
Retention payables (Note)	190	293
Deed tax and other tax payables	95	94
Deposits received and receipt in advance in respect of rental of investment properties	917	814
Value-added tax payables	440	173
Other payables and accrued charges	794	860
Value-added tax arising from contract liabilities	534	879
Total	6,877	6,840

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 RMB2,406 million (2020: RMB2,123 million), of which 91% (2020: 83%) are aged less than 30 days, 3% (2020: 4%) are aged between 31 to 90 days, and 6% (2020: 13%) are aged more than 90 days, based on the invoice date.

16. Senior Notes

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
At the beginning of period/year	16,063	11,399
Issue of senior notes	2,525	8,176
Less: Transaction costs directly attributable to issue of senior notes	(3)	(10)
Interest charged during the period/year	433	829
Less: Interest paid	(468)	(709)
Less: Repayment/redemption of senior notes	(3,895)	(2,736)
Exchange translation	(97)	(886)
At the end of period/year	14,558	16,063
Less: Amount due within one year shown under current liabilities	(2,290)	(6,273)
Amount due after one year	12,268	9,790

As at 30 June 2021, the effective interest rate on the senior notes ranged from 5.50% to 6.74% (2020: 5.50% to 7.24%) per annum.

Issuance of Senior Notes during the current period

On 29 June 2021, Shui On Development (Holding) Limited ("SODH") issued USD400 million senior notes ("2026 USD400 million Notes") to independent third parties with a maturity of five years due on 29 June 2026, bearing coupon at 5.50% per annum, payable semi-annually in arrears.

Principal terms of 2026 USD400 million Notes

The 2026 USD400 million Notes are:

- senior in right of payment to any existing and future obligations of SODH expressly subordinated in right of payment to the 2026 USD400 million Notes;
- ranked at least pari passu in right of payment with all other unsecured unsubordinated indebtedness of SODH (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);
- guaranteed by the Company on a senior basis, subject to certain limitations;
- effectively subordinated to the secured obligations (if any) of the Company and SODH, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the subsidiaries of SODH.

At any time and from time to time on or after 29 June 2025 but prior to 29 March 2026, SODH may at its option redeem the 2026 USD400 million Notes, in whole or in part, at a redemption price equal to 101.375% plus accrued and unpaid interest, if any, up to (but not including) the redemption date, provided that the Company shall fulfil certain prescribed conditions as the case may be.

At any time after 29 March 2026, SODH may at its option redeem the 2026 USD400 million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to 29 June 2025, SODH may at its option redeem the 2026 USD400 million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see the definition below) as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

16. Senior Notes (continued)

At any time and from time to time prior to 29 June 2025, SODH may also redeem up to 35% of the aggregate principal amount of the 2026 USD400 million Notes with the net cash proceeds of one or more sales of shares of the Company in an equity offering at a redemption price of 105.50% of the principal amount of the 2026 USD400 million Notes, plus accrued and unpaid interest, if any, up to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2026 USD400 million Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

In the opinion of the Directors of the Company, the option to early redeem was closely related to the 2026 USD400 million Notes.

“Applicable Premium” means with respect to the 2026 USD400 million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2026 USD400 million Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2026 USD400 million Notes through 29 June 2025 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of the 2026 USD400 million Notes redeemed on such redemption date.

17. Derivative Financial Instruments

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Derivative financial instruments include:		
Currency forward contracts designated as hedging instruments	178	565
Currency capped forward contracts not designated as hedging instruments	–	154
Interest rate swap designated as hedging instruments	6	3
	184	722
For the purpose of financial statement presentation:		
Current assets	–	–
Current liabilities	184	722

Currency forward contracts designated as hedging instruments

As at 30 June 2021, the Group had several forward contracts to reduce currency exchange fluctuation of certain of the Group's senior notes and bank borrowings.

18. Share-Based Payment Transactions

Share option scheme

The Company's share option scheme (the “Scheme”) was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to the Directors of the Company, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

As of 30 June 2021, 8,571,400 share options (31 December 2020: 8,896,000 share options) remained outstanding under the Scheme, representing 0.1% (31 December 2020: 0.1%) of the ordinary shares of the Company in issue at that date. The Scheme allows the Board of Directors of the Company, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

18. Share-Based Payment Transactions (continued)

Share option scheme (continued)

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

Date of grant	Exercise price HKD	Number of options			
		At 1 January 2021	Exercised during the period	Lapsed during the period	At 30 June 2021
7 July 2015	2.092	3,425,400	–	(108,600)	3,316,800
4 July 2016	1.98	5,470,600	–	(216,000)	5,254,600
Total		8,896,000	–	(324,600)	8,571,400
Categorised as:					
Directors		874,000	–	–	874,000
Employees		8,022,000	–	(324,600)	7,697,400
		8,896,000	–	(324,600)	8,571,400
Number of options exercisable		7,728,000			7,435,800

The Scheme expired on 7 June 2017 and no further share options can be granted thereunder. However, the rules of the Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Scheme. All outstanding share options granted prior to the expiration of the Scheme shall continue to be valid and exercisable in accordance with the rules of the Scheme. A new share option scheme was adopted by the Company on 24 May 2017.

During the six months ended 30 June 2021 and 30 June 2020, none of share options have been exercised.

Share award scheme

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

In 2015, a total of 17,149,000 award shares and 7,705,000 award shares of the Company have been awarded to certain connected employees (including the Directors of the Company and certain subsidiaries) and employees of the Group respectively at no consideration.

The awarded shares shall vest upon conditions relating to the Group's performance and the individual performance being met during the performance period of 3 years on average.

As at 30 June 2021, 17,710,250 (31 December 2020: 17,710,250) shares were allotted at par and held by the trust for the share award schemes.

19. Pledge of Assets

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

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Investment properties	31,677	31,592
Property and equipment	109	112
Right-of-use assets	6	6
Properties under development for sale	7,690	10,522
Receivables	88	77
Bank deposits	–	1,313
	39,570	43,622

20. Commitments and Contingencies

(a) Capital and other commitments

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

	30 June 2021 RMB'million (Unaudited)	31 December 2020 RMB'million (Audited)
Contracted but not provided for:		
Development costs for investment properties under construction or development	806	717
Development costs for properties under development held for sale	1,678	2,131
Investment in a joint venture	683	142
	3,167	2,990

(b) Contingent liabilities

- (i) The Group provided guarantees of RMB1,948 million at 30 June 2021 (31 December 2020: RMB1,181 million) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.
- (ii) The Group provided a guarantee of RMB250 million at 30 June 2021 (31 December 2020: RMB250 million) to a third party for two years with respect to the fulfillment of the payment obligation of a joint venture of the Group arising from the acquisition of a project company in Nanjing. The acquisition was completed in February 2021 and then the payment obligation was fulfilled by the joint venture.

In determining whether provision of losses should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgement in the evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors of the Company, the provision of losses for the financial guarantee contracts of the Group was insignificant at initial recognition as the guarantee amount should be significantly lower than the value of properties and the Group is entitled to possess the property if there is default by the customers and the Directors of the Company consider that the possibility of the default of the parties involved was remote, and accordingly, no value has been recognised in the condensed consolidated statement of financial position as at 30 June 2021. Should the actual outcome be different from expected, provision of losses will be recognised in the condensed consolidated financial statements.

21. Related Party Transactions

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

	Six months ended 30 June	
	2021 RMB'million (Unaudited)	2020 RMB'million (Unaudited)
<i>Shui On Company Limited ("SOCL")(note1) and its subsidiaries other than those of the Group</i>		
Rental expense	2	2
Renovation expense	1	2
Service cost reimbursement	1	4
<i>SOCAM Development Limited("SOCAM")(note2) and its subsidiaries, being subsidiaries of SOCL</i>		
Revenue from construction services	5	5
<i>Great Eagle Holdings Limited (note 3) and its subsidiaries</i>		
Rental and building management fee income	1	1
<i>Associates</i>		
Interest income	–	6
Revenue from construction services	83	92
Asset management fee and lease commission fee income	16	17
Interest expense	13	–
Rental and building management fee expense	7	8
<i>Joint ventures</i>		
Interest income	20	37
Asset management fee and lease commission fee income	22	12
Project management fee income	60	60
Revenue from construction services	8	2
Rental and building management fee income	1	–
Consulting service income	4	–
<i>Non-controlling shareholders of subsidiaries</i>		
Asset management fee expense	5	6
<i>Key management personnel</i>		
Short-term employee benefits	73	76

Notes:

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

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

22. Fair Value and Fair Value Hierarchy of Financial Instruments

The Group's derivative financial instruments, other than the liability arising from a rental guarantee arrangement, are measured at fair value at the end of the reporting period that are grouped under Level 2. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The Group's liability arising from a rental guarantee arrangement is measured at fair value at the end of the reporting period that are grouped under Level 3. The fair value of the instrument is estimated based on Monte-Carlo simulation using the following assumptions:

	30 June 2021	31 December 2020
Estimated office unit rental	RMB87 to RMB91 per square meter	RMB89 to RMB90 per square meter
Occupancy rate	69% to 72%	90% to 93%
Risk-free rate	2.105%	2.50%
Discount rate	9.750%	9.40%
Expected expiry date	31 January 2022	31 January 2022

The following table presents the reconciliation of level 3 instruments for the period ended 30 June 2021 and 30 June 2020:

	Liabilities arising from a rental guarantee arrangement RMB'million
At 1 January 2020 (audited)	(382)
Settlement	166
Fair value changes (note 4)	(43)
At 30 June 2020 (unaudited)	(259)
At 1 January 2021 (audited)	(292)
Settlement	164
Fair value changes (note 4)	(38)
At 30 June 2021 (unaudited)	(166)

Loss of RMB38 million (for the six months ended 30 June 2020: RMB43 million) was recognised in profit or loss in the current period to reflect changes in estimates.

22. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

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

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the Directors of the Company for appropriate actions to be taken. The Directors consider that the carrying amounts of financial assets and financial liabilities recognized at amortized cost in the condensed consolidated financial statements approximate their fair values.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

23. Events after the Reporting Period

In July 2021, Foshan An Ying Property Development Co., Ltd, a wholly-owned subsidiary of the Company, redeemed fully the receipts under securitisation arrangements with an outstanding principal amount of RMB752 million at 100% of face value.

24. Approval of Financial Statements

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 24 August 2021.

Interim Dividend

The Board has declared an interim dividend of HKD0.036 per share (2020: nil) for the six months ended 30 June 2021, amounting to approximately RMB241 million (2020: nil) in aggregate, which is payable on or about 24 September 2021 to shareholders whose names appear on the register of members of the Company on 10 September 2021.

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 10 September 2021.

Directors' Interests in Securities

At 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long position in the shares and the underlying shares of the Company

Name of Directors	Number of ordinary shares			Interests in the underlying shares		Approximate percentage of interests to the issued share capital of the Company (Note 4)
	Personal interests	Family interests	Other interests	Share options (Note 3)	Total	
Mr. Vincent H. S. LO ("Mr. Lo")	–	1,849,521 (Note 1)	4,489,291,751 (Note 2)	–	4,491,141,272	55.71%
Mr. Douglas H. H. SUNG ("Mr. Sung")	–	–	–	437,000	437,000	0.0054%
Ms. Stephanie B. Y. LO ("Ms. Lo")	–	–	4,489,291,751 (Note 2)	437,000	4,489,728,751	55.69%
Professor Gary C. BIDDLE	305,381	–	–	–	305,381	0.0038%
Dr. Roger L. McCARTHY	200,000	–	–	–	200,000	0.002%

Notes:

- (1) These shares were beneficially owned by Ms. Loletta CHU ("Mrs. Lo"), the spouse of Mr. Lo. Mr. Lo was deemed to be interested in 1,849,521 shares under Part XV of the SFO.
- (2) These shares were held by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,725,493,996 shares, 2,733,949,818 shares and 29,847,937 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI") and New Rainbow Investments Limited ("NRI") respectively whereas SOP was a wholly-owned subsidiary of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("SOCAM") which in turn was held by SOCL as to 62.99% as of 30 June 2021. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and a discretionary beneficiary, Ms. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.
- (3) These represent the interests of share options granted to the Directors and/or their respective associate(s) for subscription of shares of the Company under the share option scheme adopted by the Company on 8 June 2007.
- (4) These percentages have been compiled based on the total number of issued shares (i.e. 8,062,216,324 shares) of the Company at 30 June 2021.

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

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital (Note 3)
	Personal interests	Family interests	Other interests		
Mr. Lo	–	312,000 (Note 1)	235,853,000 (Note 2)	236,165,000	63.07%
Ms. Lo	–	–	235,853,000 (Note 2)	235,853,000	62.99%

Notes:

- (1) These shares were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in 312,000 shares under Part XV of the SFO.
- (2) These shares were beneficially owned by SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and a discretionary beneficiary, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.
- (3) These percentages have been compiled based on the total number of issued shares (i.e. 374,396,164 shares) of SOCAM at 30 June 2021.

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

Name of Directors	Name of associated corporation	Nature of interests	Amount of debentures
Mr. Lo	Shui On Development (Holding) Limited ("SODH")	Founder and discretionary beneficiary of a trust	USD18,800,000 (Note 1)
		Family interests	USD2,200,000 (Note 2)
Mr. Sung	SODH	Personal interests	USD200,000
Ms. Lo	SODH	Discretionary beneficiary of a trust	USD18,800,000 (Note 1)
Mr. Shane S. TEDJARATI ("Mr. Tedjarati")	SODH	Interests of controlled corporation	USD500,000 (Note 3)

Notes:

- (1) These debentures were held by SOI, a wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such debentures under Part XV of the SFO.
- (2) These debentures were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in such debentures under Part XV of the SFO.
- (3) These debentures were held by Tribridge Investments Limited, which was controlled by Mr. Tedjarati. Mr. Tedjarati was deemed to be interested in such debentures under Part XV of the SFO.

Save as disclosed above, at 30 June 2021, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities

At 30 June 2021, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests to the issued share capital of the Company (Note 4)
Mrs. Lo	Family and personal interests	4,491,141,272 (Notes 1 & 3)	55.71%
HSBC Trustee	Trustee	4,489,291,751 (Notes 2 & 3)	55.68%
Bosrich	Trustee	4,489,291,751 (Notes 2 & 3)	55.68%
SOCL	Interests of controlled corporation	4,489,291,751 (Notes 2 & 3)	55.68%

Notes:

- (1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,489,291,751 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO as mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 4,489,291,751 shares under Part XV of the SFO.
- (2) These shares were held by SOCL through its controlled corporations, comprising 1,725,493,996 shares, 2,733,949,818 shares and 29,847,937 shares held by SOP, SOI and NRI respectively whereas SOP was a wholly-owned subsidiary of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 62.99% as of 30 June 2021. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and a discretionary beneficiary, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.
- (3) All the interests stated above represent long positions.
- (4) These percentages have been compiled based on the total number of issued shares (i.e. 8,062,216,324 shares) of the Company at 30 June 2021.

Save as disclosed above, at 30 June 2021, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

Share Options

The share option scheme of the Company adopted on 8 June 2007 (the “Old Scheme”) expired on 7 June 2017 and no further share options can be granted thereunder. However, the rules of the Old Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Old Scheme. All outstanding share options granted prior to the expiration of the Old Scheme shall continue to be valid and exercisable in accordance with the rules of the Old Scheme.

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

Particulars of the Old Scheme are set out in note 18 to the condensed consolidated financial statements.

The following table sets out the movement of the Company’s share options during the six months ended 30 June 2021:

Name or category of eligible participants	Date of grant	Exercise price per share HKD	At 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2021	Period during which the share options are exercisable
Directors								
Mr. Sung	4 July 2016	1.98	437,000	–	–	–	437,000	1 June 2017 – 3 July 2022
Ms. Lo	4 July 2016	1.98	437,000	–	–	–	437,000	1 June 2017 – 3 July 2022
Sub-total			874,000	-	-	-	874,000	
Employees (in aggregate)	7 July 2015	2.092	3,425,400	–	–	(108,600)	3,316,800	1 June 2016 – 6 July 2021
	4 July 2016	1.98	4,596,600	–	–	(216,000)	4,380,600	1 June 2017 – 3 July 2022
Sub-total			8,022,000	-	-	(324,600)	7,697,400	
Total			8,896,000	-	-	(324,600)	8,571,400	

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 set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules and aligns with its latest developments. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholder value, and stakeholders’ confidence in the Company.

Compliance with the CG Code

During the six months ended 30 June 2021, the Company has complied with all the applicable code provisions of the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

To comply with the code provision A.6.4 of the CG Code, the Company has established and adopted a Code for Securities Transactions by Relevant Employees (as defined in the Listing Rules) on terms no less exacting than the Model Code, to regulate dealings in the securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities because of their offices or employments.

No incident of non-compliance with the Model Code by the Directors and the Code for Securities Transactions by Relevant Employees was noted by the Company during the six months ended 30 June 2021.

Board Composition

As a commitment to good corporate governance, the Company’s Articles of Association stipulate that, subject to the provisions contained therein, the Board shall include a majority of Independent Non-executive Directors (“INEDs”). Mr. Tedjarati and Ms. Ya Ting WU (“Ms. Wu”) were appointed as INEDs of the Company on 18 January 2021 and 27 January 2021, respectively. Subsequent to Sir John R. H. BOND’s retirement as an INED of the Company at conclusion of the annual general meeting of the Company held on 27 May 2021 (the “AGM”) and as of the date of this report, the Board comprises nine members in total, with three Executive Directors and six INEDs.

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

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

Chairman and Chief Executive

The roles of Chairman and Chief Executive of the Company are separated and currently performed by Mr. Lo and the Executive Committee of the Company (the "EXCOM") respectively. Mr. Lo, who is the Chairman of the Company and one of the members of the EXCOM, takes an active role in steering the business and leverages his experience to guide the EXCOM at a strategic level and promote the Company's sustainable growth. The reformed EXCOM, following the Group's reorganisation of management, collectively takes the key management role of the Company on executive decisions and takes up the functional duties of Chief Executive. The division of responsibilities between the Chairman and the Chief Executive is clearly established and set out in writing, a copy of which has been published on the Company's website.

Board Committees

The Board has established five Board committees with defined terms of reference, namely the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. The Finance Committee was dissolved by the Board with effect from 27 May 2021.

Audit and Risk Committee

The Audit and Risk Committee was established to review the financial information of the Group, oversee the Group's financial reporting system, risk management and internal control systems, and assist the Board and its Chairman in performing the corporate governance functions of the Company. The Audit and Risk Committee also reviews the relationship with the external auditor including but not limited to their work, fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

The Audit and Risk Committee consists of three members, namely Professor Gary C. Biddle ("Professor Biddle"), Dr. Roger L. McCarthy ("Dr. McCarthy") and Mr. David J. Shaw, all of whom are INEDs. The Chair of the Audit and Risk Committee is Professor Biddle who possesses appropriate professional qualifications, accounting and related financial management expertise.

The Audit and Risk Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021, including the accounting principles and practices and internal control systems adopted by the Company, in conjunction with the Company's internal and external auditors. The Audit and Risk Committee has no disagreement with the accounting treatments adopted.

Remuneration Committee

The Remuneration Committee was established to evaluate the performance of the Directors and senior management and make recommendations on their remuneration packages, and to evaluate and make recommendations on employee benefit arrangements.

The Remuneration Committee consists of three members, namely Mr. Anthony J. L. Nightingale ("Mr. Nightingale"), Mr. Lo and Professor Biddle. Mr. Nightingale and Professor Biddle are INEDs. The Chair of the Remuneration Committee is Mr. Nightingale.

Nomination Committee

The Nomination Committee was established to review the structure, size and composition of the Board and the Board Diversity Policy, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

The Nomination Committee consists of two members, namely Mr. Lo and Professor Biddle. Professor Biddle is an INED. The Chair of the Nomination Committee is Mr. Lo.

Sustainability Committee

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

The Sustainability Committee consists of four members, namely Ms. Wu, Dr. McCarthy, Mr. Sung and Ms. Lo. Ms. Wu and Dr. McCarthy are INEDs. The Chair of the Sustainability Committee is Ms. Wu.

Strategy Committee

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

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

Induction, Training and Continuing Development for Directors

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, in order to facilitate the discharge of their responsibilities. During the six months ended 30 June 2021, the Directors attended three training sessions organised by the Company and also perused two ESG-related articles provided by the Company.

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

Annual General Meeting

The Chairman of the Board, most of the Directors, the Chairs of the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee and the Strategy Committee or in their absence, another member of the committees and the external auditor were present at the AGM and the meeting provided a useful forum for shareholders to exchange views with the Board.

Purchase, Sale, or Redemption/Cancellation of Listed Securities

On 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 amount of the 2021 Notes was USD262,387,000, and the outstanding principal amount of the 2021 SODH Notes was USD345,650,000. SODH fully repaid the principal amount of the outstanding 2021 Notes together with the accrued and unpaid interest upon its maturity on 6 February 2021.

On 2 March 2018, SODH issued RMB1,600 million in 6.875% senior notes due 2021 (the “2021 CNH Notes”). On 19 April 2018, SODH further issued RMB600 million in 6.875% senior notes due 2021 (the “Additional Notes”), which were consolidated and formed a single series with the 2021 CNH Notes. SODH fully repaid the principal amount of the outstanding 2021 CNH Notes (inclusive of the Additional Notes) together with the accrued and unpaid interest upon its maturity on 2 March 2021.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold, or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

Disclosure under Rule 13.21 of the Listing Rules

On 6 February 2017, a written agreement (the “2021 Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB Trustee (Hong Kong) Limited (“DB”) as trustee of the 2021 Notes issued by SODH, pursuant to which the 2021 Notes were issued. The 2021 Indenture provides that upon the occurrence of a change of control (as defined in the 2021 Indenture), the Company or SODH will make an offer to repurchase all outstanding 2021 Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 7 February 2017. SODH fully repaid the principal amount of the outstanding 2021 Notes together with the accrued and unpaid interest upon its maturity on 6 February 2021.

On 20 June 2017, a written agreement (the “2022 Trust Deed”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD600 million in 6.40% senior perpetual capital securities callable 2022 issued by SODH (the “Senior Perpetual Securities”), pursuant to which the Senior Perpetual Securities were issued. The 2022 Trust Deed provides that upon the occurrence of a change of control (as defined in the 2022 Trust Deed), SODH may at its option, redeem in whole but not in part the Senior Perpetual Securities at (i) their applicable early redemption amount (as defined in the 2022 Trust Deed) if such redemption occurs prior to 20 June 2022; or (ii) their principal amount, together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount), if such a redemption occurs on or after 20 June 2022. Details of the transaction were set out in the announcement of the Company dated 20 June 2017.

On 2 March 2018, a written agreement (the “2021 CNH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the 2021 CNH Notes issued by SODH, pursuant to which the 2021 CNH Notes were issued. The 2021 CNH Indenture provides that upon the occurrence of a change of control (as defined in the 2021 CNH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2021 CNH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 2 March 2018. On 19 April 2018, the Company and SODH entered into a purchase agreement with Standard Chartered Bank in connection with the further issue of the Additional Notes, which were consolidated and formed a single series with the 2021 CNH Notes. The Additional Notes were issued pursuant to the 2021 CNH Indenture. Details of the transaction were set out in the announcement of the Company dated 26 April 2018. SODH fully repaid the principal amount of the outstanding 2021 CNH Notes (inclusive of the Additional Notes) together with the accrued and unpaid interest upon its maturity on 2 March 2021.

On 28 February 2019, a written agreement (the “2021 SODH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the 2021 SODH Notes issued by SODH, pursuant to which the 2021 SODH Notes were issued. The 2021 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2021 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2021 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 28 February 2019.

On 12 November 2019, a written agreement (the “2023 SODH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD300 million in 5.75% senior notes due 2023 issued by SODH (the “2023 SODH Notes”), pursuant to which the 2023 SODH Notes were issued. The 2023 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2023 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2023 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 12 November 2019. On 24 November 2020, the Company and SODH entered into a purchase agreement with UBS AG Hong Kong Branch in connection with the further issue of USD200 million in 5.75% senior notes due 2023 (the “Additional USD Notes”), which were consolidated and formed a single series with the 2023 SODH Notes. The Additional USD Notes were issued pursuant to the 2023 SODH Indenture. Details of the transaction were set out in the announcement of the Company dated 2 December 2020.

On 3 March 2020, a written agreement (the “2025 SODH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD400 million in 5.50% senior notes due 2025 issued by SODH (the “2025 SODH Notes”), pursuant to which the 2025 SODH Notes were issued. The 2025 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2025 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2025 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 3 March 2020.

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

On 24 August 2020, a written agreement (the “2024 SODH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD500 million in 6.15% senior notes due 2024 issued by SODH (the “2024 SODH Notes”), pursuant to which the 2024 SODH Notes were issued. The 2024 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2024 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2024 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 24 August 2020.

On 29 June 2021, a written agreement (the “2026 SODH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD400 million in 5.50% senior notes due 2026 issued by SODH (the “2026 SODH Notes”), pursuant to which the 2026 SODH Notes were issued. The 2026 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2026 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2026 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 29 June 2021.

Any breach of the above obligations will cause a default in respect of the Senior Perpetual Securities, the 2021 SODH Notes, the 2023 SODH Notes, the 2024 SODH Notes, the 2025 SODH Notes, and the 2026 SODH Notes, which may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB11,973 million at 30 June 2021.

Changes in Information of Directors under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of the Directors of the Company are set out as follows:

(i) Director's updated biographical details

An update on the biographical details of the Director of the Company is as follows:

Name of Director	Details of Changes
Dr. Roger L. McCarthy	has been elected an Officer, Treasurer, and member of the Governing Council of the US National Academy of Engineering. He also holds a seat on the Governing Board of the US National Research Council, all with effect from 1 July 2021.

(ii) Changes in Directors' emoluments

In respect of the establishment of Sustainability Committee and Strategy Committee in April 2021 and dissolution of Finance Committee in May 2021, the directors' fees of the relevant INEDs of the Company serving on these committees have been changed. Professor Biddle is entitled to receive the director's fee of HKD650,000 per annum; Mr. Nightingale is entitled to receive the director's fee of HKD500,000 per annum; each of Dr. McCarthy and Mr. Tedjaradi is entitled to receive the director's fee of HKD450,000 per annum; Ms. Wu is entitled to receive the director's fee of HKD400,000 per annum.

Save as disclosed above, after having made all reasonable enquiries, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's annual report 2020.

Employees and Remuneration Policy

As of 30 June 2021, the number of employees in the Group was 3,153 (31 December 2020: 3,141); which included the headcount of the property management business at 1,578 (31 December 2020: 1,548), the headcount of the construction and fitting out business at 203 (31 December 2020: 240). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, long-term incentive schemes, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

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

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Vincent H. S. LO (Chairman)
Mr. Douglas H. H. SUNG
(Managing Director, Chief Financial Officer and
Chief Investment Officer)
Ms. Stephanie B. Y. LO (Managing Director)

Independent Non-executive Directors

Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Anthony J. L. NIGHTINGALE
Mr. Shane S. TEDJARATI
Ms. Ya Ting WU

Audit and Risk Committee

Professor Gary C. BIDDLE (Chair)
Dr. Roger L. McCARTHY
Mr. David J. SHAW

Remuneration Committee

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

Nomination Committee

Mr. Vincent H. S. LO (Chair)
Professor Gary C. BIDDLE

Sustainability Committee

Ms. Ya Ting WU (Chair)
Dr. Roger L. McCARTHY
Mr. Douglas H. H. SUNG
Ms. Stephanie B. Y. LO

Strategy Committee

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

Company Secretary

Mr. UY Kim Lun

Auditor

Ernst & Young
Registered Public Interest Entity Auditor

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown

Registered Office

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

Corporate Headquarters

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

Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

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

Branch Share Registrar and Transfer Office

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

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China Merchants Bank Co., Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of
China Limited
Standard Chartered Bank Limited
United Overseas Bank Limited

Stock Code

272

Website

www.shuionland.com

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