.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities, nor is it calculated to invite any such offer or invitation. In particular, this announcement does not constitute and is not an offer to sell or a solicitation of any offer to buy securities in Hong Kong, the United States or elsewhere.

Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933. Any public offering of securities to be made in the United States will only be made by means of a prospectus that may be obtained from the issuer or selling security holder and that contains detailed information regarding the issuer and management as well as financial information. There is no intention to make a public offering of the securities referred to in this announcement in the United States.

瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

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

Announcement of 2018 Interim Results

HIGHLIGHTS

- **Significant revenue growth:** Revenue for the first half of 2018 (“1H 2018”) increased significantly by 87% to RMB19,032 million. RMB2,907 million generated from general property sales and RMB14,981 million from other asset disposal were recognised as revenue. Additionally, rental and related income accounted for another RMB948 million during the period, while hotel, construction and others accounted for RMB196 million.

- **36% increase in profit attributable to shareholders:** As a result of the strong revenue, profit for the period was RMB1,479 million in 1H 2018, compared to RMB1,168 million in the first half of 2017 (“1H 2017”), while profit attributable to shareholders rose 36% to RMB1,225 million in 1H 2018.

- **Solid balance sheet to weather near term uncertainties:** Net gearing ratio was further reduced to 43% as of 30 June 2018, representing a decrease of 8 percentage points from 51% as of 31 December 2017; while cash and bank deposits remained healthy at RMB11,300 million. This solid balance sheet should help the Group to weather any near term global economic uncertainties that may arise, and to seize any attractive investment opportunities.

- **Asset light strategy making solid progress:** The Group continued to carry out its asset light strategy through the disposal of 49.5% effective interest of residential inventory in Lots 1 and 7 in Shanghai Rui Hong Xin Cheng, which allowed the Group to enhance shareholders’ return through unlocking value in these assets at a substantial profit.

- **A growing prime Shanghai commercial portfolio:** In July 2018, the Group along with strategic partners successfully won the land auction for a major commercial site located in the Taipingqiao project. This was one of the largest and most centrally located commercial sites available for sale in Shanghai in recent years. Including this site, the Group owned and held under management a total GFA of 1.67 million sq.m. for retail and office use in Shanghai. A total GFA of 733,000 sq.m. was completed and held for long term investment, 73,000 sq.m. was under renovation and expected to be completed in 2H 2018; and a total GFA of 787,000 sq.m. was under development or for future development. Total current asset value of the portfolio is approximately RMB59.4 billion. Asset value attributable to the Group is approximately RMB31.6 billion. 5 Corporate Avenue in Shanghai with a total GFA of 79,000 sq.m. is under the Group’s asset management.

Website: www.shuionland.com

PERFORMANCE HIGHLIGHTS

	1H 2018	1H 2017	Period-on-Period Growth/ (Decline)
Contracted Sales			
Contracted sales (RMB'million)	13,728	8,530	61%
Contracted sales GFA (excluding other asset disposal)	202,300 sq.m.	112,700 sq.m.	80%
Selected Financial Information (RMB'million)			
Revenue	19,032	10,166	87.2%
Gross profit	5,171	4,418	17.0%
Profit for the period	1,479	1,168	26.6%
Profit attributable to shareholders of the Group	1,225	898	36.4%
Core earnings	2,137	1,487	43.7%
Selected Financial Ratios			
Gross profit margin	27%	43%	(16 ppt)
Gross profit margin for general property sales	53%	39%	14 ppt
Net profit margin	7.8%	11.5%	(3.7 ppt)
Earnings per share (basic), RMB cents	15.2	11.2	36%

	30 June 2018	31 December 2017	Changes
Selected Balance Sheet Data (RMB'million)			
Total assets	106,210	114,292	(7.1%)
Cash and bank deposits	11,300	16,760	(32.6%)
Total indebtedness	32,791	41,699	(21.4%)
Net debt	21,491	24,939	(13.8%)
Total equity	50,002	49,175	1.7%
Net gearing (Net debt-to-equity ratio), at the end of period	43%	51%	(8 ppt)
Average cost of indebtedness, at the end of period	5.4%	5.8%	(0.4 ppt)

Landbank (GFA, million sq.m.)	**30 June 2018**	**31 December 2017**	
Total leasable and saleable landbank	6.8	9.5	(28%)
Attributable leasable and saleable landbank	4.4	5.9	(25%)

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**Six months ended 30 June 2018 (Unaudited)**		Six months ended 30 June 2017 (Unaudited)	
		HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Turnover					
- The Group	*4*	**23,360**	**19,032**	11,525	10,166
- Share of joint ventures		**49**	**40**	-	-
		23,409	**19,072**	11,525	10,166
Revenue of the Group	*4*	**23,360**	**19,032**	11,525	10,166
Cost of sales		**(17,013)**	**(13,861)**	(6,516)	(5,748)
Gross profit		**6,347**	**5,171**	5,009	4,418
Other income		**178**	**145**	233	206
Selling and marketing expenses		**(178)**	**(145)**	(161)	(142)
General and administrative expenses		**(542)**	**(442)**	(477)	(421)
Operating profit	*5*	**5,805**	**4,729**	4,604	4,061
Gain on disposal of investment properties through disposal of subsidiaries		**-**	**-**	21	19
Net increase in fair value of the remaining investment properties		**49**	**40**	235	207
Other gains and losses	*6*	**(620)**	**(505)**	(9)	(8)
Share of losses of joint ventures and associates		**(5)**	**(4)**	(285)	(251)
Finance costs, inclusive of exchange differences	*7*	**(1,224)**	**(997)**	(1,138)	(1,004)
Impairment losses, net of reversal		**(225)**	**(183)**	-	-
Profit before taxation		**3,780**	**3,080**	3,428	3,024
Taxation	*8*	**(1,965)**	**(1,601)**	(2,104)	(1,856)
Profit for the period		**1,815**	**1,479**	1,324	1,168
Attributable to:					
Shareholders of the Company		**1,503**	**1,225**	1,018	898
Owners of convertible perpetual capital securities		**66**	**54**	66	58
Owners of perpetual capital securities		**154**	**125**	206	182
Non-controlling shareholders of subsidiaries		**92**	**75**	34	30
		312	**254**	306	270
		1,815	**1,479**	1,324	1,168
Earnings per share	*10*				
Basic		**HKD18.7 cents**	**RMB15.2 cents**	HKD12.7 cents	RMB11.2 cents
Diluted		**HKD18.1 cents**	**RMB14.8 cents**	HKD12.6 cents	RMB11.1 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2018 (Unaudited)		Six months ended 30 June 2017 (Unaudited)	
	HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Profit for the period	**1,815**	**1,479**	1,324	1,168
Other comprehensive income (expense)				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	**4**	**3**	35	31
Fair value adjustments on currency forward contracts designated as cash flow hedges	**369**	**301**	(580)	(512)
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**(393)**	**(320)**	352	311
Items that will not be reclassified subsequently to profit or loss:				
Gain on revaluation of properties transferred from property, plant and equipment to investment properties, net of tax	**10**	**8**	-	-
Share of other comprehensive income of a joint venture	**37**	**30**	-	-
Other comprehensive income (expense) for the period	**27**	**22**	(193)	(170)
Total comprehensive income for the period	**1,842**	**1,501**	1,131	998
Total comprehensive income attributable to:				
Shareholders of the Company	**1,530**	**1,247**	825	728
Owners of convertible perpetual capital securities	**66**	**54**	66	58
Owners of perpetual capital securities	**154**	**125**	206	182
Non-controlling shareholders of subsidiaries	**92**	**75**	34	30
	312	**254**	306	270
	1,842	**1,501**	1,131	998

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 RMB'million (Unaudited)**	31 December 2017 RMB'million (Audited)
Non-current assets			
Investment properties		**49,088**	47,989
Property, plant and equipment		**1,108**	1,187
Interests in associates		**5,014**	1,030
Interests in joint ventures		**6,127**	6,584
Accounts receivable, deposits and prepayments	*11*	**353**	1,088
Pledged bank deposits		**668**	2,134
Derivative financial instruments		**340**	342
Deferred tax assets		**1,125**	992
Other non-current assets		**41**	42
		63,864	61,388
Current assets			
Properties under development for sale		**12,166**	18,112
Properties held for sale		**7,304**	8,058
Accounts receivable, deposits and prepayments	*11*	**9,321**	7,520
Amounts due from related companies		**634**	642
Loan to an associate		**1,260**	-
Loans to/amounts due from joint ventures		**832**	660
Contract assets		**110**	-
Amounts due from customers for contract work		**-**	126
Derivative financial instruments		**87**	-
Pledged bank deposits		**626**	19
Bank balances and cash		**10,006**	14,607
		42,346	49,744
Assets classified as held for sale		**-**	3,160
		42,346	52,904
Current liabilities			
Accounts payable, deposits received and accrued charges	*12*	**7,330**	10,369
Contract liabilities		**3,184**	-
Amounts due to related companies		**345**	347
Amounts due to non-controlling shareholders of subsidiaries		**9**	8
Loans from a non-controlling shareholder of subsidiaries		**1,680**	1,651
Tax liabilities		**3,346**	3,443
Bank borrowings - due within one year		**9,550**	9,596
Senior notes		**-**	5,781
Derivative financial instruments		**-**	214
Liabilities arising from rental guarantee arrangements		**170**	177
		25,614	31,586
Liabilities associated with assets classified as held for sale		**-**	8
		25,614	31,594
Net current assets		**16,732**	21,310
Total assets less current liabilities		**80,596**	82,698

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	30 June 2018 RMB'million (Unaudited)	31 December 2017 RMB'million (Audited)
Capital and reserves		
Share capital	**146**	146
Reserves	**38,901**	38,136
Equity attributable to shareholders of the Company	**39,047**	38,282
Convertible perpetual securities	**1**	1
Convertible perpetual capital securities	**1,346**	1,345
Perpetual capital securities	**4,054**	4,052
Non-controlling shareholders of subsidiaries	**5,554**	5,495
	10,955	10,893
Total equity	**50,002**	49,175
Non-current liabilities		
Bank borrowings - due after one year	**16,018**	21,397
Senior notes	**7,223**	4,925
Liabilities arising from rental guarantee arrangements	**388**	551
Deferred tax liabilities	**6,960**	6,645
Defined benefit liabilities	**5**	5
	30,594	33,523
Total equity and non-current liabilities	**80,596**	82,698

Notes to the condensed consolidated financial statements:

1. General

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standard Board.

2. Presentation

The Hong Kong dollar figures presented in the condensed consolidated statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.2274 for the six months ended 30 June 2018 and RMB1.000 to HKD1.1337 for the six months ended 30 June 2017, being the average exchange rates that prevailed during the respective periods.

3. Principal Accounting Policies

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 - 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3. Principal Accounting Policies-continued

3.1 Impacts and changes in accounting policies of application on IFRS 15

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

Property development	-	development and sale of properties
Property investment	-	offices and commercial/mall leasing

Revenue from offices and commercial/mall leasing will continue to be accounted for in accordance with IAS 17 "Leases", whereas revenue from development and sale of properties will be accounted for under IFRS15.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11 and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 15 - continued

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 - continued

Control is transferred over time or at a point in time. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Presentation of contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 15 - continued

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 – continued

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component. For contracts where the period between the payment by the customer and the transfer of the promised good or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant. During the six months ended 30 June 2018, there is no significant financing component identified.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs incurred to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3.1.2 Summary of effects arising from initial application of IFRS 15

Taking into account the changes in accounting policy arising from initial application of IFRS 15 as stated in Note 3.1.1, the Directors of the Company considered that the initial application of IFRS 15 has no material impact to the condensed consolidated financial statements of the Group or the timing and amount of revenue recognised.

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 15 - continued

3.1.2 Summary of effects arising from initial application of IFRS 15 - continued

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018*
		RMB'million	RMB'million	RMB'million
Current Assets				
Contract assets	a	-	126	126
Amounts due from customers for contract work	a	126	(126)	-
Current Liabilities				
Accounts payable, deposits received and accrued charges	b	10,369	(2,889)	7,480
Contract liabilities	b	-	2,889	2,889

* The amounts in this column are before the adjustments from the application of IFRS 9.

(a) In relation to construction contracts previously accounted under IAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of IFRS 15. RMB126 million of amounts due from customers for contract work was reclassified to contract assets.

(b) As at 1 January 2018, for deposits received in relation to property sales previously presented in accounts payable, deposits received and accrued charges, RMB2,889 million was classified to contract liabilities.

The following tables summaries the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

3. Principal Accounting Policies - continued

3.1 Impacts and changes in accounting policies of application on IFRS 15 - continued

3.1.2 Summary of effects arising from initial application of IFRS 15 - continued

Impact on the condensed consolidated statement of financial position

	As reported	Adjustments	Amounts Without application of IFRS 15
	RMB'million	RMB'million	RMB'million
Current Assets			
Contract assets	110	(110)	-
Amounts due from customers for contract work	-	110	110
Current Liabilities			
Accounts payable, deposits received and accrued charges	7,330	3,184	10,514
Contract liabilities	3,184	(3,184)	-

3.2 Impacts and changes in accounting policies of application on IFRS 9

In the current period, the Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and accounts receivable) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

In addition, the Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

3. Principal Accounting Policies - continued

3.2 Impacts and changes in accounting policies of application on IFRS 9 - continued

3.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Accounts receivable arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss("FVTPL"), except that at the date of initial application of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The Directors of the Company reviewed and assessed the Group’s financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 3.2.2.

3. Principal Accounting Policies - continued

3.2 Impacts and changes in accounting policies of application on IFRS 9 - continued

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 - continued

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, contract assets and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable and contract assets. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. Principal Accounting Policies - continued

3.2 Impacts and changes in accounting policies of application on IFRS 9 - continued

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 - continued

Impairment under ECL model - continued

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. The Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable and contract assets where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 January 2018, the Directors of the Company reviewed and assessed the Group’s existing financial assets, contract assets and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. Principal Accounting Policies - continued

3.2 Impacts and changes in accounting policies of application on IFRS 9 - continued

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 - continued

Hedge accounting

The Group has elected to adopt the new general hedge accounting in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

3. Principal Accounting Policies - continued

3.2 Impacts and changes in accounting policies of application on IFRS 9 - continued

3.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	Financial assets at FVTPL	Financial assets at amortised cost (previously classified as loans and receivables)	Contract assets	Financial liabilities at amortised cost	Retained earnings
		RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Closing balance at 31 December 2017						
- IAS 39		342	21,497	-	50,408	19,787
Effect arising from initial application of IFRS 15		-	-	126	-	-
Effect arising from initial application of IFRS 9		-	-	-	-	-
Reclassification						
From designated at FVTPL		-	-	-	-	-
Remeasurement						
Impairment under ECL model	a	-	(91)	-	-	(91)
Opening balance at 1 January 2018		342	21,406	126	50,408	19,696

(a) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and accounts receivable. To measure the ECL, contract assets and accounts receivables have been assessed individually for debtors with significant balances or grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the accounts receivable for the same types of contracts. The Group has therefore concluded that the expected loss rates for the accounts receivable are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances and cash, pledged bank deposits, amounts due from related companies, loans to/amounts due from joint ventures and loan to an associate are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB91 million has been recognised against retained profits. The additional loss allowance is charged against the respective assets.

3. Principal Accounting Policies - continued

3.2 Impacts and changes in accounting policies of application on IFRS 9 - continued

3.2.2 Summary of effects arising from initial application of IFRS 9- continued

All loss allowances for financial assets including accounts receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Other financial assets at amortised cost	Contract assets	Accounts receivable
	RMB'million	RMB'million	RMB'million
At 31 December 2017			
- IAS 39	-	N/A	-
Reclassification	-	-	-
Amounts remeasured through opening retained profits	-	-	91
At 1 January 2018	-	-	91

(b) Hedge accounting

The Group applies the hedge accounting requirements of IFRS 9 prospectively. At the date of the initial application, hedging relationships that qualified for hedge accounting in accordance with IAS 39 are regarded as continuing hedging relationship if all qualifying criteria under IFRS 9 are met, after taking into account any rebalancing of the hedging relationship on transition.

3. Principal Accounting Policies - continued

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited)	IFRS 15	IFRS 9	1 January 2018 (Restated)
	RMB'million	RMB'million	RMB'million	RMB'million
Current Assets				
Contract assets	-	126	-	126
Amounts due from customers for contract work	126	(126)	-	-
Accounts receivable and prepayments	7,520	-	(91)	7,429
Current Liabilities				
Accounts payable, deposits received and accrued charges	10,369	(2,889)	-	7,480
Contract liabilities	-	2,889	-	2,889
Capital and Reserves				
Reserves	38,136	-	(91)	38,045

4A. Revenue Information

An analysis of the revenue of the Group for the period is as follows:

	Six months ended 30 June 2018 (Unaudited)
	The Group
	RMB'million
Types of properties and services	
Property development:	
Property sales	**17,888**
Property investment:	
Rental income received from investment properties	**828**
Income from hotel operations	**48**
Property management fee income	**49**
Rental related income	**71**
	996
Construction	**48**
Others	**100**
Total	**19,032**
Timing of revenue recognition under IFRS 15	
A point in time	**17,888**
Over time	**245**
	18,133
Rental income and rental related income	**899**
Total	**19,032**
Geographical markets	
Shanghai	**17,874**
Wuhan	**10**
Chongqing	**168**
Foshan	**81**
Total	**18,133**

4B. Segmental Information

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

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

4B. Segmental Information – continued

	Six months ended 30 June 2018 (Unaudited)					
	Property development	Property investment	Construction	Reportable segment total	Others	Consolidated
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
SEGMENT REVENUE						
External revenue of the Group	**17,888**	**996**	**48**	**18,932**	**100**	**19,032**
Share of revenue of joint ventures	**-**	**40**	**-**	**40**	**-**	**40**
Total segment revenue	**17,888**	**1,036**	**48**	**18,972**	**100**	**19,072**
SEGMENT RESULTS						
Segment results of the Group	**4,114**	**632**	**(9)**	**4,737**	**69**	**4,806**
Interest income						**144**
Other gains and losses						**(503)**
Share of losses of joint ventures and associates						**(4)**
Finance costs, inclusive of exchange differences						**(997)**
Impairment losses, net of reversal						**(183)**
Unallocated income						**7**
Unallocated expenses						**(190)**
Profit before taxation						**3,080**
Taxation						**(1,601)**
Profit for the period						**1,479**

4B. Segmental Information – continued

	Six months ended 30 June 2017 (Unaudited)					
	Property development	Property investment	Construction	Reportable segment total	Others	Consolidated
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
SEGMENT REVENUE						
External revenue of the Group	9,086	946	107	10,139	27	10,166
Share of revenue of joint ventures	-	-	-	-	-	-
Total segment revenue	9,086	946	107	10,139	27	10,166
SEGMENT RESULTS						
Segment results of the Group	3,574	673	(2)	4,245	13	4,258
Interest income						185
Other gains and losses						34
Share of losses of joint ventures and associates						(251)
Finance costs, inclusive of exchange differences						(1,004)
Unallocated income						23
Unallocated expenses						(221)
Profit before taxation						3,024
Taxation						(1,856)
Profit for the period						1,168

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

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

5. Operating Profit

	Six months ended 30 June	
	2018	2017
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Operating profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**53**	54
Release of prepaid lease payments	**1**	1
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and other benefits	**10**	8
	11	9
Other staff costs		
Salaries, bonuses and other benefits	**347**	371
Retirement benefits costs	**19**	16
Share option expenses	**1**	1
Share award expenses	**-**	6
	367	394
Total employee benefits expenses	**378**	403
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	**(46)**	(104)
	332	299
Cost of properties sold recognised as an expense	**13,536**	5,391
Reversal of impairment loss on properties held for sale and properties under development for sale (included in “cost of sales”)	**(1)**	(5)
Minimum lease payments under operating leases	**11**	8
Interest income	**(144)**	(185)

6. Other Gains and Losses

	Six months ended 30 June	
	2018	2017
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Impairment loss on investment properties under development at cost (note (i))	**(380)**	-
Loss on early redemption of senior notes	**(78)**	(67)
Loss on termination of a property sales contract	**(48)**	-
Decrease in fair value of call option to buy back an investment property	**(2)**	(42)
Loss arising from rental guarantee arrangements	**-**	(132)
Fair value gain on other derivative financial instruments	**-**	88
Gain on disposal of investment properties (note (ii))	**3**	145
	(505)	(8)

Notes:

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

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

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

7. Finance Costs, Inclusive of Exchange Differences

	Six months ended 30 June	
	2018	2017
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**911**	844
Interest on loans from non-controlling shareholders of subsidiaries	**29**	3
Imputed interest of deferred consideration in relation to acquisition of subsidiaries	**-**	81
Interest on senior notes	**392**	805
Total interest costs	**1,332**	1,733
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	**(454)**	(724)
Interest expense charged to profit or loss	**878**	1,009
Net exchange loss (gain) on bank borrowings and other financing activities	**86**	(31)
Others	**33**	26
	997	1,004

8. Taxation

	Six months ended 30 June	
	2018	2017
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
The People’s Republic of China (“PRC”) Enterprise Income Tax	**769**	741
Deferred taxation	**325**	128
PRC Land Appreciation Tax	**505**	972
PRC Withholding Tax	**2**	15
	1,601	1,856

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

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (for the six months ended 30 June 2017: 25%) on the assessable profits of the companies in the Group during the period.

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

9. Dividends

	Six months ended 30 June	
	2018	2017
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Final dividend declared in respect of 2017 of HKD0.07 (2017: 2016 final dividend of HKD0.039) per share	**461**	273
Interim dividend declared in respect of 2018 of HKD0.036 (2017: 2017 interim dividend of HKD0.03) per share	**253**	205

Subsequent to the end of the interim period, the Board has declared the payment of HKD0.036 (equivalent to RMB0.0314) per share, amounting to HKD290 million (equivalent to RMB253 million) in aggregate as the interim dividend with respect to 2018.

A final dividend for the year ended 31 December 2017 of HKD0.07 (equivalent to RMB0.057 translated using the exchange rate of 0.81672 as at 1 June 2018) per share, amounting to HKD564 million (equivalent to RMB461 million translated using the exchange rate of 0.81672 as at 1 June 2018) in aggregate, was approved at the annual general meeting on 16 May 2018 and paid in June 2018.

10. Earnings Per Share

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

	Six months ended 30 June	
	2018	2017
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share, being profit for the period attributable to shareholders of the Company	**1,225**	898
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities	**54**	58
Earnings for the purpose of diluted earnings per share	**1,279**	956

	Six months ended 30 June	
	2018	2017
	'million	'million
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(note (a))*	**8,043**	8,002
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities	**619**	574
Outstanding share awards	**2**	17
Outstanding share options (*note (c)*)	**1**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,665**	8,593

Basic earnings per share (*note (b)*)	**RMB15.2 cents**	RMB11.2 cents
	HKD18.7 cents	HKD12.7 cents
Diluted earnings per share (*note (b)*)	**RMB14.8 cents**	RMB11.1 cents
	HKD18.1 cents	HKD12.6 cents

Notes:

(a) The weighted average number of ordinary shares shown above has been arrived at after deducting 19,191,965 (six months ended 30 June 2017: 24,854,000) shares held by a share award scheme trust.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.2274 for the six months ended 30 June 2018 and RMB1.000 to HKD1.1337 for the six months ended 30 June 2017, being the average exchange rates that prevailed during the respective periods.

(c) There was no dilution effect for outstanding share options for the six months ended 30 June 2017 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 2017.

11. Accounts Receivable, Deposits and Prepayments

	30 June 2018 RMB'million (Unaudited)	31 December 2017 RMB'million (Audited)
Non-current balance comprise:		
Rental receivables in respect of rent-free periods	**295**	277
Trade receivables	**57**	144
Deposits for acquisition of a subsidiary	**-**	630
Other receivables	**1**	37
	353	1,088
Current balance comprise:		
Trade receivables	**126**	158
Prepayments of relocation costs *(note)*	**1,449**	6,004
Receivables from disposals of associates/subsidiaries	**6,440**	380
Deposit paid on acquisition of a land	**680**	-
Other deposits, prepayments and receivables	**582**	903
Rental receivables in respect of rent-free periods	**44**	75
	9,321	7,520

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

Trade receivables comprise:

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

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

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

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB183 million (31 December 2017: RMB302 million), of which 57% (2017: 46%) are aged less than 90 days, and 43% (2017: 54%) are aged over 90 days, as compared to when revenue was recognised.

The Group has cumulative impairment allowance of RMB94 million as at 30 June 2018 based on the provision matrix. In addition, an accounts receivable with significant balance amounting to RMB180 million as at 30 June 2018 was assessed individually impaired and impairment allowance of RMB180 million was made on that accounts receivable for the current interim period.

12. Accounts Payable, Deposits Received and Accrued Charges

	30 June 2018 RMB'million (Unaudited)	31 December 2017 RMB'million (Audited)
Current portion comprise:		
Trade payables	**2,527**	3,505
Retention payables *(note)*	**326**	381
Relocation cost payable	**2,654**	1,552
Deed tax, business tax and other tax payables	**157**	353
Deposits received and receipt in advance in respect of rental of investment properties	**714**	603
Deposits received and receipt in advance from property sales	**-**	2,889
Deposits received from disposal of associates	**-**	343
Value-added tax payable	**9**	90
Accrued transaction costs in respect of disposal of a subsidiary	**30**	-
Other payables and accrued charges	**913**	653
	7,330	10,369

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 RMB2,527 million (2017:RMB3,505 million) of which 85% (2017:89%) are aged less than 30 days, 0% (2017:1%) are aged between 31 to 60 days, and 15% (2017:10%) are aged between 91 days and 365 days, based on invoice date.

13. Event after the Reporting Period

The Group has noted the following events after the reporting period:

(a) On 5 July 2018, the Group and two independent third parties not connected to the Group succeeded in the bid of the land use rights of a land offered for sale by Shanghai Huangpu District Planning and Land Bureau at the bidding for RMB13,610 million, and entered into an agreement with these two independent third parties to set up a joint-venture company ("JV Company") to carry out property development project on the land, which was located in Huangpu District, Shanghai, the PRC. Upon establishment, Group will own 25% of the JV Company.

(b) On 6 July 2018, the Group received RMB214 million for the disposal of equity interest in Richcoast Group.

(c) On 20 July 2018, the Group received US$535 million (equivalent to approximately RMB3,589 million) for the disposal of equity interest in Colour Bridge Holdings Limited.

BUSINESS REVIEW

Property Sales

Recognised Property Sales

For the first half of 2018 ("1H 2018"), total recognised property sales, including property sales recognised as revenue, and disposal of investment properties were RMB17,907 million (after deduction of applicable taxes), representing an increase of 36% compared to RMB13,148 million in the first half of 2017 ("1H 2017").

General property sales (after deduction of applicable taxes) recognised as revenue was RMB2,907 million, on a total GFA sold of 35,050 sq.m.. Average selling price ("ASP") (excluding other asset disposal) increased by 79% to RMB87,000 per sq.m. compared to 1H 2017. The significant increase was mainly due to a higher proportion of property sales was from The Gallery (Lot 2) of Shanghai Rui Hong Xin Cheng ("RHXC"), which accounted for 82% of total general property sales. ASP of RHXC residential increased by 20% in 1H 2018 compared to 1H 2017. Gross profit margin of general property sales was 53%, an increase of 14 percentage points compared to 39% in 1H 2017.

RMB14,981 million, also recognised as revenue, was contributed by the disposal of 49.5% effective interest of residential inventory in certain portfolio of properties in relation to Shanghai RHXC Lots 1 and 7. The disposal was accounted for the sales of property inventories in the ordinary course of the Group's property business. Revenue from the sales of properties under development for sale amounted to RMB14,981 million, representing a 99% interest held by the Group. As of 30 June 2018, the equity disposal was completed and the portfolio is held as an associate of the Group.

RMB19 million was recognised as disposal of investment properties.

The Group entered into the agreement in relation to the disposal of all of its interest in Dalian Tiandi on 14 November 2017. The transaction was completed in May 2018. The Group no longer holds any interest in Dalian Tiandi.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 1H 2018 and 1H 2017:

	1H 2018			1H 2017		
Project	**Sales revenue**	**GFA sold**	**ASP[1]**	**Sales revenue**	**GFA sold**	**ASP[1]**
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential	191	1,200	168,300	776	5,900	139,200
Shanghai RHXC						
Residential	2,397	25,000	101,300	4,790	60,000	84,600
Retail	19	450	44,400	548	11,700	49,500
Hotel	-	-	-	473	15,500	32,300
Chongqing Tiandi						
Residential[2]	6	570	12,800	20	2,400	10,400
Office & Retail	135	7,200	19,900	90	5,800	16,700
Foshan Lingnan Tiandi						
Townhouses	14	700	20,000	55	2,400	24,200
Low/mid/high-rises	3	300	10,000	7	700	10,000
Retail	4	80	62,500	32	1,000	34,000
Subtotal	**2,769**	**35,500**	**82,400**	**6,791**	**105,400**	**68,200**
Carparks and others	157	-	-	108	-	-
Dalian Tiandi[3]						
Mid-/high-rises	-	-	-	446	51,600	9,200
Villas	-	-	-	47	4,400	11,400
Subtotal	**2,926**	**35,500**	**87,000**	**7,392**	**161,400**	**48,600**
Other asset disposal:						
Shanghai RHXC[4]	14,981			-		
Chongqing Tiandi[5]	-			5,756		
Grand total	**17,907**			**13,148**		
Recognised as:						
- property sales in revenue of the Group[6]	17,888			9,086		
- disposal of investment properties[6]	19			1,021		
- disposal of property, plant and equipment	-			21		
- disposal of equity in subsidiaries holding commercial properties[5]	-			2,527		
- revenue of associates	-			493		
Total	**17,907**			**13,148**		

[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.*

[3] *On 14 November 2017, the Group entered into the agreement in relation to the disposal of its all interest in Dalian Tiandi. The transaction was completed on 14 May 2018 and the Group no longer holds any interest in Dalian Tiandi.*

[4] *On 26 June 2018, the Group entered into the agreement to dispose of 49.5% of the interests in certain portfolio of properties in relation to Shanghai RHXC project Lots 1 and 7 residential inventories. The disposal was accounted for the sales of property inventories in the ordinary course of the Group's property business. Revenue from the sales of properties under development for sale amounted to RMB14,981 million, representing a 99% interest held by the Group.*

[5] *For Chongqing Tiandi, the disposal was partially accounted for the sales of property inventories in the ordinary course of the Group's property business. Revenue from the sales of properties under development for sale amounted to RMB3,229 million, representing a 99% interest held by the Group. The remaining sales of RMB2,527 million represents "Disposal of equity in subsidiaries holding commercial properties".*

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

Contracted Property Sales, Other Asset Disposal and Subscribed Sales

The Group's contracted property sales and other asset disposal increased by 61% to RMB13,728 million in 1H 2018, compared to RMB8,530 million in 1H 2017. Residential property sales accounted for 43%, other asset disposal accounted for 56% and the remainder was contributed by commercial property sales. ASP of residential property sales decreased by 31% to RMB29,500 per sq.m. in 1H 2018, compared to RMB42,700 per sq.m. in 1H 2017. It was mainly due to changes in product mix. In 1H 2018, a higher proportion of contracted property sales was generated from Chongqing associates. ASP of the new residential phase launched in Chongqing in 1H 2018 was RMB22,400 per sq.m., an increase of 22%.

Contracted property sales from residential properties and carparks (including those from Chongqing associates) was RMB5,908 million in 1H 2018, an increase of 109% over RMB2,833 million (including those from Dalian associates) in 1H 2017.

The disposal of Dalian Tiandi project for a total contracted amount of RMB3,160 million was completed in May 2018. The disposal was recorded as contracted sales in other asset disposal in 1H 2018.

On 26 June 2018, the Group entered into the agreement to the disposal of 49.5% effective interests in certain portfolio of properties in relation to Shanghai RHXC project Lots 1 & 7 for a total contracted amount of RMB4,589 million. The transaction allowed the Group to unlock value in these assets at a substantial profit and is aligned with the Group's Asset Light Strategy to enhance shareholders' return by cooperating with strategic partners to create synergies.

In addition to the contracted property sales and other asset disposal outlined above, as of 30 June 2018, a total GFA of 39,000 sq.m., producing a total value of RMB4,529 million, was subscribed subject to formal sales and purchase agreements. These sales came primarily from the Shanghai Taipingqiao Lakeville Luxe, which accounted for RMB3,837 million of subscribed sales.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 1H 2018 and 1H 2017:

	1H 2018			1H 2017		
Project	**Contracted amount**	**GFA sold**	**ASP**	**Contracted amount**	**GFA sold**	**ASP**
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao						
Lakeville Luxe (Lot 116)	2,266	15,100	150,100	1,048	7,000	149,700
Shanghai RHXC	217	2,100	103,300	1,119	11,500	97,300
Chongqing Tiandi						
Residential [1]	2,547	138,500	22,400	3	200	18,300
Foshan Lingnan Tiandi						
Residential	837	44,500	18,800	60	2,800	21,400
Dalian Tiandi [2]						
Villas	-	-	-	34	2,900	11,700
Mid-/high-rises	-	-	-	506	41,900	12,100
Carparks and others	41	-	-	63	-	-
Subtotal for residential property sales	**5,908**	**200,200**	**29,500**	**2,833**	**66,300**	**42,700**
Commercial property sales:						
Shanghai RHXC						
Retail	20	450	44,400	111	2,100	52,900
Lot 3 Hotel	-	-	-	500	15,500	32,300
The Palette 2	-	-	-	579	11,700	49,500
Chongqing Tiandi						
Office	2	100	20,000	58	4,700	12,300
Retail	36	1,300	27,700	192	10,200	18,800
Foshan Lingnan Tiandi						
Retail	13	250	52,000	103	2,200	46,800
Carparks and others	-	-	-	21	-	-
Subtotal for commercial property sales	**71**	**2,100**	**33,800**	**1,564**	**46,400**	**33,700**
Other asset disposal:						
Dalian Tiandi [2]	**3,160**			-		
Shanghai RHXC [3]	**4,589**			-		
Chongqing Tiandi	**-**			**4,133**		
Subtotal for other asset disposal	**7,749**			**4,133**		
Grand total	**13,728**			**8,530**		

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

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

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

Residential GFA Available for Sale and Pre-sale in 2H 2018

The Group has approximately 203,800 sq.m. of residential GFA spanning six projects, available for sale and pre-sale during 2H 2018, as summarised below:

Project		**Available for sale and pre-sale in 2H 2018**		
		GFA in sq.m.	Group's interest %	Attributable GFA in sq.m.
Shanghai Taipingqiao	Lakeville Luxe (Lot 116) (High-rises)	27,400[1]	98.00%	26,900
Shanghai RHXC	High-rises	19,100	99.00%	18,900
Foshan Lingnan Tiandi	Townhouses & Low-rises and High-rises	24,500	100.00%	24,500
Chongqing Tiandi	High-rises	25,400	19.80%	5,000
Wuhan Tiandi	High-rises	28,000	100.00%	28,000
Wuhan Optics Valley Innovation Tiandi	High-rises	79,400	50.00%	39,700
Total		**203,800**		**143,000**

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.

[1] *A total GFA of 27,400 sq.m. in Shanghai Taipingqiao Lakeville Luxe was shown as available for sale in 2H 2018. Although these properties had been launched for pre-sales in April 2018 with all units subscribed by customers, they are subject to formal sales and purchase agreements. The sales amounted to RMB3,837 million was not counted as Contracted Sales in 1H 2018.*

Property Development Plans for 2H 2018, 2019 and 2020

The table below summarises the projects with construction work that is planned for completion in 2H 2018, 2019 and 2020:

Project	Residential	Office	Retail	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
Planned for delivery in 2H 2018							
Shanghai Taipingqiao							
Xintiandi Plaza (Retail)	-	-	28,000	28,000	-	28,000	62.49%
INNO KIC	-	41,000	4,000	45,000	18,000	63,000	100.00%
Total	**-**	**41,000**	**32,000**	**73,000**	**18,000**	**91,000**	
Planned for delivery in 2019							
Chongqing Tiandi	204,000	-	5,000	209,000	72,000	281,000	19.80%
Foshan Lingnan Tiandi	65,000	-	7,000	72,000	23,000	95,000	100.00%
Wuhan Optics Valley Innovation Tiandi	120,000	-	1,000	121,000	-	121,000	50.00%
Total	**389,000**	**-**	**13,000**	**402,000**	**95,000**	**497,000**	
Planned for delivery in 2020							
Shanghai Taipingqiao							
Lot 118	79,000	-	-	79,000	33,000	112,000	99.00%
Shanghai RHXC							
Lot 1	113,000	-	3,000	116,000	49,000	165,000	49.50%
Lot 10 Retail	-	-	180,000	180,000	-	180,000	49.50%
Wuhan Tiandi							
Lot A1 Office Tower	-	160,000	-	160,000	26,000	186,000	100.00%
Lot B10	108,000	-	-	108,000	-	108,000	100.00%
Chongqing Tiandi	263,000	-	-	263,000	-	263,000	19.80%
Foshan Lingnan Tiandi	50,000	-	-	50,000	-	50,000	100.00%
Wuhan Optics Valley Innovation Tiandi	114,000	-	1,000	115,000	-	115,000	50.00%
Total	**727,000**	**160,000**	**184,000**	**1,071,000**	**108,000**	**1,179,000**	

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

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

Residential properties under development

Shanghai Taipingqiao - Lakeville Luxe (Lot 116) has a total residential apartment GFA of 94,000 sq.m. A total GFA of 47,000 sq.m. was completed and has been progressively delivered to the buyers since December 2016. The remaining portion was launched for pre-sales in April 2018 with all apartments sold on the day of launch for a total amount of RMB6.0 billion. Lot 118 is under development with a total GFA of 79,000 sq.m. for residential use.

Shanghai RHXC - The Gallery (Lot 2), with a total GFA of 24,800 sq.m. was delivered in 1H 2018. The remaining batch with a total GFA of 18,700 sq.m. is scheduled to be launched from 2H 2018. Relocation of Lot 1 was completed in late 2017, with development work commencing in 1H 2018. A total GFA of 113,000 sq.m. will be developed for residential use with the remaining GFA of 3,000 sq.m. for retail shops. Lot 7 with a total GFA of 159,000 sq.m. is under relocation. The site is expected to be cleared in late 2018.

Wuhan Tiandi - Lot B10 is under development and is planned to be developed into high-rise residential apartments with a total GFA of 108,000 sq.m.. Pre-sales is planned to be from 2H 2018.

Wuhan Optics Valley Innovation Tiandi - The site was acquired in 2017. The first phase with a total GFA of 121,000 sq.m. is under development. Pre-sales is planned to be from 2H 2018.

Chongqing Tiandi - The Group sold 79.2% effective interest in the Chongqing Partnership Portfolio in June 2017. Lot B15 with a total GFA of 209,000 sq.m. is under development. Various pre-sales launched in 1H 2018. The Partnership Portfolio is an associate of the Group. The Group held 19.8% of the partnership portfolio.

Foshan Lingnan Tiandi - The Royal (Lots 2 & 3) with a total GFA of 72,000 sq.m. is under construction. Various pre-sales launched in 1H 2018. The apartments are planned to be completed in 2019.

Commercial properties under development

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

INNO KIC - Two office buildings with a total GFA of 45,000 sq.m. were acquired on a bare shell basis in late 2017. Internal fitting out work was commenced in 1H 2018.

Wuhan Tiandi - Construction work of Lot A1 office building with a total GFA of 160,000 sq.m. was temporary suspended due to changes to certain local planning requirements. The Group is working with the Government to resume the work as soon as possible.

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

Investment Property

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 1,204,000 sq.m. was RMB42,020 million as of 30 June 2018. Of this sum, RMB40 million (representing 0.1% of the carrying value) arose from increased fair value during 1H 2018. The properties located in Shanghai, Wuhan, Foshan and Chongqing, respectively, contributed 69%, 17%, 10% and 4% of the carrying value.

The table below summarises the carrying value of the remaining investment properties at valuation as of 30 June 2018 together with the change in fair value for 1H 2018:

Project	Leasable GFA	Increase /(decrease) in fair value for 1H 2018	Carrying value as of 30 June 2018	Valuation gain /(loss) to carrying value	Attributable carrying value to the Group
	sq.m.	RMB'million	RMB'million	%	RMB'million
Completed investment properties at valuation					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	80,000	9	7,482	0.1%	5,828
Shui On Plaza (Office)	24,000	-	1,892	-	1,212
THE HUB	263,000	(16)	8,908	(0.2%)	6,958
Shanghai KIC	241,000	46	7,537	0.6%	3,470
Wuhan Tiandi	238,000	7	7,095	0.1%	6,685
Chongqing Tiandi	134,000	(28)	1,699	(1.6%)	1,682
Foshan Lingnan Tiandi	151,000	2	4,318	0.1%	4,318
Sub-total	**1,131,000**	**20**	**38,931**	**0.1%**	**30,153**
Investment properties under development at valuation					
Shanghai Taipingqiao					
Xintiandi Plaza (Retail)	28,000	1	1,807	0.1%	1,129
INNO KIC	45,000	19	1,282	1.5%	1,282
Sub-total	**73,000**	**20**	**3,089**	**0.7%**	**2,411**
Grand Total	**1,204,000**	**40**	**42,020**	**0.1%**	**32,564**

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

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 2018 and 1H 2017:

Project	**Product**	**Leasable GFA**	**Rental & related income RMB'million**		**Changes**	**Occupancy rate**		**Changes**
			1H	**1H**		**30 June**	**30 June**	
		sq.m.	**2018**	**2017**	**%**	**2018**	**2017**	**ppt**
Shanghai Taipingqiao								
Shanghai Xintiandi	**Office/ Retail**	54,000	200	198	1%	100%	100%	-
Xintiandi Style	**Retail**	26,000	46	43	7%	99%	100%	(1ppt)
Shui On Plaza	**Office**	24,000	46	55	(16%)	96%	93%	3ppt
THE HUB	**Office/ Retail**	263,000	191	159	20%	97%	94%	3ppt
Shanghai RHXC	**Retail**	-	-	70	-	-	-	-
Shanghai KIC	**Office/ Retail/ Hotel**	241,000	208	183	14%	96%	91%	5ppt
Wuhan Tiandi	**Retail**	166,000	128	102	25%	89%	88%	1ppt
Chongqing Tiandi	**Retail**	134,000	29	23	26%	63%	57%	6ppt
Foshan Lingnan Tiandi	**Office/ Retail**	151,000	100	73	37%	83%	75%	8ppt
Total		**1,059,000**	**948**	**906**	**5%**	**89%**	**86%**	**3ppt**
Shanghai RHXC (Classified as joint venture income in 1H 2018)	**Retail**	111,000	81	-	-	92%	85%	7ppt
Grand Total		**1,170,000**	**1,029**	**906**	**14%**	**90%**	**85%**	**5ppt**

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

Rental and related income (excluding income from hotel operations) increased by 5% to RMB948 million in 1H 2018 compared to 1H 2017. The moderate rental income growth in 1H 2018 compared to 1H 2017 was mainly due to the deconsolidation of rental & related income generated from the RHXC commercial partnership portfolio. Indeed, including the rental and related income from RHXC (classified as joint venture income), total rental and related income was RMB1,029 million in 1H 2018, representing a 14% increase compared to 1H 2017.

Xintiandi and Xintiandi Style were fully occupied with stable income growth. The performance of Shui On Plaza in Shanghai was affected by asset enhancement initiative program ("AEI") of the retail podium with 28,000 sq.m. of the leasable GFA under renovation. Rental and related income of the building dropped by 16% in 1H 2018 compared to 1H 2017. The new retail podium, re-named as "Xintiandi Plaza", will be re-positioned for young style, "New Feminism" and trendy brands for young generation, with most of tenants having their first appearance in China. The re-opening is planned to be in late 2018. Upon completion of the AEI of this retail podium, the Group will hold a total leasable GFA of 104,000 sq.m, for retail use in Xintiandi area in Huangpu District, one of the core commercial area of Shanghai. The newly launched commercial brand identity, XINTIANDI with it's refreshed visual identity, embarks on a new social strategy with a powerful new mission statement: Social Renaissance, dedicated to promoting conversation, creativity and human connection.

In terms of RHXC, the Group disposed 49.5% of the commercial property portfolio in 2H 2017. The portfolio is held as joint venture of the Group. Rental and related income of RHXC's completed portfolio with a total GFA of 111,000 sq.m. was RMB81 million for 1H 2018, an increase of 16% compared to RMB70 million in 1H 2017.

THE HUB recorded a 20% of rental and related income growth in 1H 2018 compared to 1H 2017. The strong performance was due to an increase of 33% and 52% in shoppers' traffic and retail sales, respectively, in 1H 2018 in THE HUB. A total GFA of 5,400 sq.m. was newly leased or replaced by new tenants with a higher base and turnover rent.

KIC recorded 14% of rental growth with strong rental reversion achieved in the last twelve months. A total GFA of 10,400 sq.m. was leased in 1H 2018 with average rental increased by 12%. 68% of the space was renewal from existing tenants and the remaining new tenants. "University Avenue • Next Stop", the retail space for a total GFA of 5,000 sq.m. connecting metro station Jiangwan Stadium of Line 10 to University Avenue had its opening in late 2017.

Wuhan Xintiandi and HORIZON - South Shopping Mall achieved robust performance with rental and related income growing by 25% to RMB128 million compared to RMB102 million in 1H 2017. The strong performance was due to an increase of 11% and 20% in shoppers' traffic and retail sales, respectively, in 1H 2018 in the HORIZON – South Shopping Mall and strong rental reversion achieved in Wuhan Xintiandi.

HORIZON - North Shopping Mall (Lot B4/5 Retail) is a "Garden Themed Design" shopping mall with a total GFA of 72,000 sq.m. located at Site B of Wuhan Tiandi. It is positioned to create a healthy and green lifestyle for middle class and young families in the neighbourhood. It is currently under pre-leasing for opening in 2019.

Occupancy rate of Chongqing Tiandi was 91% for the Tiandi retail area. Occupancy rate of 6,7 Corporate Avenue retail podium (Lot B12-3 Retail) was 64%. 8 Corporate Avenue retail podium (Lot B12-4 Retail) is under-going a repositioning and tenant upgrade. Re-opening is planned to be in 2019. The rental and related income generated from this reached RMB29 million in 1H 2018, an increase of 26% compared to 1H 2017.

Occupancy levels of NOVA shopping mall at Foshan Lingnan Tiandi reached 99% since its grand opening in December 2016. Lingnan Tiandi Phase 2 was under a small scale asset upgrade in 1H 2018. Occupancy rate of Lingnan Tiandi was at 85%. In 1H 2018, a total GFA of 2,500 sq.m. was leased to 14 new tenants with 3 existing tenant's renewal for the new opening in 2H 2018. The rental and related income generated from these two properties reached RMB100 million in 1H 2018, an increase of 37% compared to 1H 2017 mainly from increased occupancy rate and other income of the NOVA shopping mall.

Asset Light Model and Assets Under Management

Beyond the formation of joint ventures for new investments and certain existing projects, the Group also seize opportunities to manage third party assets, in particular to leverage on, and to introduce new asset management services to properties in prime locations that have preservation elements.

These asset management initiatives include Nanjing INNO Zhujiang Lu, which is the first asset light project of the Group applying the INNO office concept which is a "New Office + INNOVATION" concepts. The "New Office" concept aims to provide a variety of new office products and services within a building including INNO Office, INNO Studio and INNO Social. These products will cater to different end-users with very diverse space and lease requirements. "INNOVATION" concept includes INNOSPACE, an incubator for providing services to new ventures. Our first INNOSPACE project has been under operation since 2011 in our KIC Project.

Nanjing INNO Zhujiang Lu has a total GFA of 16,000 sq.m. project under management by the Group, with a 14-year long term lease contract signed with the landlord in December 2017. The property is currently under pre-leasing and will open in 2H 2018.

Nanjing Bai Zi Ting, the Group's second asset light project in Nanjing, has a total GFA of 41,000 sq.m.. The Group entered into a 20-year long term lease contract in December of 2017 to undertake the asset management of the property.

We anticipate securing more asset management projects in the future as the Group further develops the Asset Light Model.

Landbank

As of 30 June 2018 the Group's landbank stood at a total GFA of 8.4 million sq.m. (comprising 6.8 million sq.m. of leasable and saleable area, and 1.6 million sq.m. for clubhouses, car parking spaces and other facilities) spread across nine development projects located in the prime areas of four major PRC cities, namely: Shanghai, Wuhan, Chongqing and Foshan. The leasable and saleable GFA attributable to the Group was 4.4 million sq.m.. The disposal of Dalian Tiandi project in May 2018 has resulted in a reduction of 3.2 million sq.m. in the Group's total landbank, as compared to December 2017 level.

Of the total leasable and saleable GFA of 6.8 million sq.m., approximately 1.4 million sq.m. of GFA was completed, and held for sale and/or investment. Approximately 1.9 million sq.m. of GFA was under development, and the remaining 3.5 million sq.m. of GFA was held for future development.

The relocation of Lots 7 and 167 A and B in Shanghai RHXC is in progress. 99% and 95% of residents in Lot 7 and Lots 167 A and B have signed relocation agreements, respectively, as of 30 June 2018. Lots 7 & 167A will be developed into high-end residential apartments. Lot 167 B will be developed into a commercial complex with office buildings and retail podium. The relocation of these three sites is planned to be completed in 2H 2018 and 2019.

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

The Group's total landbank as of 30 June 2018, including that of its joint ventures and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA								
	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest	Attributable leasable and saleable GFA
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	%	sq.m.
Completed properties:									
Shanghai Taipingqiao	47,000	36,000	76,000	-	**159,000**	80,000	**239,000**	99.00%[1]	128,000
Shanghai RHXC	23,000	-	112,000	-	**135,000**	125,000	**260,000**	99.00%[2]	79,000
Shanghai KIC	-	164,000	63,000	22,000	**249,000**	147,000	**396,000**	44.27%[3]	116,000
THE HUB	-	93,000	170,000	-	**263,000**	72,000	**335,000**	78.11%	205,000
Wuhan Tiandi	-	-	238,000	-	**238,000**	219,000	**457,000**	100.00%[4]	228,000
Chongqing Tiandi	-	-	142,000	-	**142,000**	265,000	**407,000**	99.00%	140,000
Foshan Lingnan Tiandi	4,000	16,000	154,000	43,000	**217,000**	137,000	**354,000**	100.00%	217,000
Subtotal	74,000	309,000	955,000	65,000	**1,403,000**	1,045,000	**2,448,000**		**1,113,000**
Properties under development:									
Shanghai Taipingqiao	79,000	-	28,000	-	**107,000**	33,000	**140,000**	99.00%[1]	96,000
Shanghai RHXC	271,000	157,000	184,000	-	**612,000**	158,000	**770,000**	49.50%	303,000
Wuhan Tiandi	108,000	160,000	-	-	**268,000**	26,000	**294,000**	100.00%	268,000
Chongqing Tiandi	379,000	259,000	109,000	25,000	**772,000**	186,000	**958,000**	19.80%	153,000
Foshan Lingnan Tiandi	65,000	-	14,000	-	**79,000**	23,000	**102,000**	100.00%	79,000
INNO KIC	-	41,000	4,000	-	**45,000**	18,000	**63,000**	100.00%	45,000
Subtotal	902,000	617,000	339,000	25,000	**1,883,000**	444,000	**2,327,000**		**944,000**
Properties for future development:									
Shanghai Taipingqiao	86,000	174,000	118,000	38,000	**416,000**	44,000	**460,000**	99.00%[5]	412,000
Shanghai RHXC	83,000	106,000	43,000	-	**232,000**	3,000	**235,000**	49.00%	114,000
Wuhan Tiandi	135,000	166,000	94,000	-	**395,000**	-	**395,000**	100.00%	395,000
Chongqing Tiandi	313,000	-	167,000	-	**480,000**	35,000	**515,000**	19.80%	95,000
Foshan Lingnan Tiandi	78,000	450,000	107,000	80,000	**715,000**	-	**715,000**	100.00%	715,000
Wuhan Optics Valley Innovation Tiandi	444,000	637,000	196,000	-	**1,277,000**	2,000	**1,279,000**	50.00%	638,000
Subtotal	1,139,000	1,533,000	725,000	118,000	**3,515,000**	84,000	**3,599,000**		**2,369,000**
Total landbank GFA	**2,115,000**	**2,459,000**	**2,019,000**	**208,000**	**6,801,000**	**1,573,000**	**8,374,000**		**4,426,000**

Notes:

1. *The Group has a 99.0% interest in all the remaining lots, expect for Shanghai Xintiandi, Xintiandi Style, Shui On Plaza, 15th floor in Shui On Plaza and Lot 116, in which the Group has an effective interest of 78.11%, 77.33%, 62.49%, 78.11% and 98.00%, respectively.*
2. *The Group has a 99.0% effective interest in all the remaining lots, except for The Palette 3, Hall of the Stars, Hall of the Moon, in which the Group has an effective interest of 49.5%, 49.5% and 49.5%, respectively.*
3. *The Group has a 44.27% effective interest in all the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 50.49%.*
4. *The Group has a 100.0% effective interest in all the remaining lots, except for Wuhan Xintiandi in which the Group has an effective interest of 78.11%.*
5. *On 5 July 2018, the Group together with CPIC Life and SHYY acquired the land use rights of Lots 123, 124 & 132 with a total leasable GFA of 302,689 sq.m. The Group has an effective interest of 25% in Lots 123, 124 and 132. The remaining Lots 119, 120 & 122 are yet to commence relocation.*

FINANCIAL REVIEW

Profit attributable to shareholders of the Company in 1H 2018 was RMB1,225 million, an increase of 36% compared to the corresponding period (1H 2017: RMB898 million).

Core earnings of the Group are as follows:

	Six months ended 30 June		
	2018	2017	Change
	RMB'million	RMB'million	%
Profit attributable to shareholders of the Company	**1,225**	898	36%
Net increase in fair value of the remaining investment properties	**(40)**	(207)	
Effect of corresponding deferred tax charges	**10**	52	
Realised fair value gains from investment properties disposed of	**6**	113	
Realised bargain purchase gain from acquisition of subsidiaries	**8**	119	
Impairment loss on investment properties under development at cost	**380**	-	
Share of results of associates			
- realised fair value gains from investment properties disposed of /fair value losses of investment properties, net of tax	**374**	276	
Share of results of joint ventures			
- fair value gains of investment properties, net of tax	**(23)**	-	
	715	353	103%
Non-controlling interests	**18**	(4)	
Net effect of changes in the valuation	**733**	349	110%
Profit attributable to shareholders of the Company before revaluation	**1,958**	1,247	57%
Add:			
Profit attributable to owners of convertible perpetual capital securities	**54**	58	(7%)
Profit attributable to owners of perpetual capital securities	**125**	182	(31%)
Core earnings of the Group	**2,137**	1,487	44%

Earnings per share was RMB15.2 cents, which was calculated based on a weighted average of approximately 8,043 million shares in issue in 1H 2018 (1H 2017: RMB11.2 cents, which was calculated based on a weighted average of approximately 8,002 million shares in issue).

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

- Dividends payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company's shares) should not exceed 40% of the Company's consolidated profit for the two most recent semi-annual periods prior to payment of the dividend, unless certain conditions pursuant to the terms of the senior notes have been met.

- In the case where the Company opts to defer the payment of coupons to the owners of perpetual capital securities, no dividend payments should be made to the shareholders of the Company unless all coupons deferred have been paid in full.

Having taken into consideration that the Group's financial position and improved cashflow, the Board has resolved to recommend the payment of a 2018 interim dividend of HKD0.036 per share (1H 2017: HKD0.03 per share).

Major Acquisition and Disposal

The Group has pursued an asset light strategy to dispose its assets to increase asset turnover over the past few years. 1H 2018, the Group sold 49.5% effective interest in its residential property development in Shanghai RHXC and also forged partnerships with strategic partners to acquire a commercial land in Shanghai Taipingqiao.

The details are as follows:

1) In June 2018, the Group entered into an agreement with Joy City Limited, a listed company in Hong Kong to sell 49.5% interest in the Shanghai RHXC Residential Partnership Portfolio (i.e. Lots 1 and 7) for a consideration of around RMB4,623 million. The Group and Joy City Limited will cooperate to develop this residential partnership portfolio. For details pertaining to the disposal of the Shanghai RHXC Residential Partnership Portfolio, please refer to the Company's circular dated 18 July 2018.

2) In July 2018, the Group entered into an agreement with two parties (i.e. China Pacific Life Insurance Company Limited and Shanghai Yongye Enterprise (Group) Company Limited) which resulted in the Group owning a 25% interest in Shanghai Taipingqiao Lots 123,124 and 132. The investment is approximately RMB19.5 billion of which include land costs amounted to RMB13.61 billion. For details, please refer to the circular issued by the Company dated 26 July 2018.

Liquidity, Capital Structure and Gearing Ratio

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

1) In December 2017 and January 2018, the Group has fully redeemed senior notes with principal amount of USD550 million due 2019 at a yield of 9.625% per annum with a redemption price equal to 104.813% of the total amount plus the accrued and unpaid interest. The total amount for such redemption is equivalent to RMB3,810 million.

2) In March and April 2018, the Group issued an aggregate principal amount of RMB2,200 million senior notes due 2021 at a yield of 6.875% per annum.

3) In May 2018, the Group has fully repaid an aggregate principal amount of USD637 million senior notes at a yield of 8.7% per annum.

The structure of the Group's borrowings as of 30 June 2018 is summarised below:

	Total (in RMB equivalent)	**Due within one year**	**Due in more than one year but not exceeding two years**	**Due in more than two years but not exceeding five years**	**Due in more than five years**
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	12,596	3,170	3,721	2,084	3,621
Bank borrowings – HKD	4,689	3,023	1,371	295	-
Bank borrowings – USD	8,283	3,357	2,451	2,475	-
Senior notes – USD	4,999	-	1,657	3,342	-
Senior notes – RMB	2,224	-	-	2,224	-
Total	**32,791**	**9,550**	**9,200**	**10,420**	**3,621**

Total cash and bank deposits amounted to RMB11,300 million as of 30 June 2018 (31 December 2017: RMB16,760 million), which included RMB1,294 million (31 December 2017: RMB2,153 million) of deposits pledged to banks and RMB1,341 million (31 December 2017: RMB1,013 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 30 June 2018, the Group's net debt was RMB21,491 million (31 December 2017: RMB24,939 million) and its total equity was RMB50,002 million (31 December 2017: RMB49,175 million). The Group's net gearing ratio was 43% as of 30 June 2018 (31 December 2017: 51%), calculated based on the excess of the sum of senior notes, bank borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

As of 30 June 2018, HKD/USD borrowings including senior notes (unhedged) amounted to approximately RMB11,516 million in equivalent, which is around 35% of the total borrowings (31 December 2017: 27%).

Total undrawn banking facilities available to the Group amounted to approximately RMB2,376 million as of 30 June 2018 (31 December 2017: RMB2,380 million).

Pledged Assets

As of 30 June 2018, the Group had pledged investment properties, property, plant and equipment, prepaid lease payments, properties under development for sale, properties held for sale, accounts receivable and bank deposits totalling RMB36,370 million (31 December 2017: RMB44,741 million) to secure the Group's borrowings of RMB10,483 million (31 December 2017: RMB18,304 million).

Capital and Other Development Related Commitments

As of 30 June 2018, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB2,571 million (31 December 2017: RMB2,750 million).

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

The revenue of the Group is denominated in RMB. The RMB senior notes issued in 2018 are also denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the senior notes issued in 2018 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 CPCS denominated in USD issued from 2015 to 1H 2018. 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 2018, the Group has entered approximately USD807 million forward to hedge the USD currency risk against RMB and HKD1,323 million forward to hedge the HKD currency risk against RMB. In addition, from 1 July 2018 till today, the Group has further entered USD50 million forward to hedge the USD currency risk against RMB.

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

Save for disclosed above, as of 30 June 2018, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if necessary.

Contingent Liabilities

Temporary guarantees are provided to banks with respect to mortgage loans procured by some purchasers of the Group's properties. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or the receipt of mortgage loan by the purchasers, whichever is earlier. In the opinion of the Board, the fair value of these financial guarantee contracts is insignificant.

MARKET OUTLOOK

The global economy remained resilient in the first half of 2018 despite mounting headwinds, including heightened geopolitical tension in the Middle East and escalation of trade disputes between the US and China. A recent IMF report highlighted a rise in global risks, exacerbated by an increase in US customs duties on steel and aluminum imports and the anticipated trade partners' retaliatory actions. The Trump Administration is trying to overhaul the WTO rules and renegotiate a "fair" trade system under US terms. This negotiation process is likely to be prolonged, and unless participating countries are willing to take a conciliatory stance to avoid a trade war, global GDP growth could fall by 0.5 percent from the current 3.9 percent projected for 2019.

China's economy grew at a slightly faster than expected pace of 6.8% in the first quarter, but slowed to 6.7% in the second quarter under the government's prudent economic policy to contain rising debt risks. With politics taking center stage during a US mid-term election year, the US-China trade disputes looks set to drag on into the third quarter and result in a slowdown of China's trade growth. In response, the People's Bank of China has acted quickly to inject liquidity by lowering banking sector's reserve requirements, and is likely to undertake a more proactive fiscal policy in the second half of the year. The government is also set to continue its reform and opening up policy and fulfill President Xi Boao Forums pledge to improve market access and further reduce import tariffs.

China's foreign exchange reserves fell by US$18.1 billion and US$14.3 billion in April and May respectively, but increased US$1.5 billion in June. After raising the US Federal Funds rate by 25bps in June, the Federal Reserve Board signalled the possibility of two more rate rises before yearend. As a result, the US dollar index strengthened to 95.3 in July, with the US economic data showing marked outperformance over the UK, Europe and Japan. A strengthening dollar has caused capital flight, adversely affecting a number of Latin American and other economies with high external dollar funding needs. The pace of RMB depreciation quickened in June and lost around 4% of its value as of the end of July. The PBOC anticipates a widening range of exchange rate fluctuations for the remainder of the year.

Residential market transactions grew steadily in 1H 2018 despite the continuation of purchase control policies in the major cities. National housing transactions in the first six months registered respective year-on-year increases of 3.2% and 14.8% by area and by sales value. Real estate investment for the six months increased at a slower pace of 9.5% year-on-year, compared with a 10.4% rise in the first quarter. China's new home prices accelerated in June, with buying demand remaining strong. Twelve cities, including Xi'an, Haikou, Sanya, Changchun, Harbin, Kunming, Dalian, Guiyang, Xuzhou, Foshan, Chengdu and Taiyuan, were named and asked by the Ministry of Housing and Urban-Rural Development to rein in their fast-rising property prices.

The tempo of Shanghai's economic growth momentum picked up from 6.8% in 1Q to 6.9% in 1H 2018, helped by a strong performance of its internet-related economy and logistics sector. According to Shanghai Master Plan 2017-2035, the municipality is aiming to become an excellent global city through enhancement of its growth quality and efficiency. The government intends to expedite the transformation and upgrading of its economy and to develop "Shanghai Services, Shanghai Manufacturing, Shanghai Shopping and Shanghai Culture" as the city's four brands.

Chongqing is undergoing economic transformation and industrial restructuring towards a high-quality growth model. In 1H 2018 Chongqing's GDP growth slowed to 6.5% as its secondary industry growth pace decelerated. While industrial value added growth fell to 1.8% in the first half, its strategic new industries continued to expand rapidly by 18.3%. Meanwhile, helped by the "Belt and Road" initiative, Chongqing has become a more open economy through entering into strategic cooperation with Singapore, Russia and Belarus.

Wuhan's economic growth remained robust at 8.2% in the first half of 2018, with FDI and tertiary industry growth rising by 24.1% and 8.8% year-on-year, respectively. According to Wuhan's National Central City Implementation Plan, the city's GDP is projected to reach RMB2 trillion by 2021. The government intends to retain 250,000 university graduates this year through an incentive scheme which offers 20% home purchase discount for university graduates. This policy should help accelerate talent inflow and render support for the housing market.

Foshan's economy maintained a rapid growth rate of 7.0% in the first half of 2018. The city invested heavily in research and development, with R&D's share in GDP rising from 2.3% in 2016 to 2.6% in 2017. Foshan plans to invest RMB5.5 billion towards developing an Advanced Manufacturing Science and Technology Lab. In addition, Gaoming District has been selected to house the Pearl River Delta Xinganxian Airport to meet the Greater Bay Area's future air travel demand. This new airport will complement Guangzhou Baiyun Airport to serve domestic and international passengers as well as air cargo demand from central and western Pearl River Delta.

As the global economy advances into a late cycle expansion phase, the outlook is becoming less certain, and risks are mounting. The pace of economic growth has widened across different economies under rising interest rates, heightened geopolitical risks and the threat of growing trade disputes. These uncertainties are eroding business confidence and will cloud the economic outlook. The Chinese government aims to maintain GDP growth of around 6.5% this year and has the policy means to cushion the economy from the headwinds. With respect to the property market, we expect various government measures such as price controls, restrictions on home purchases and granting of sales permit will continue to apply, hence the pace of residential sales in 2H 2018 should stay modest. We will continue to monitor these changing trends and will quickly adapt our plans to cope with the unfolding scenarios.

INTERIM DIVIDEND

The Board has declared an interim dividend of HKD0.036 per share (2017: HKD0.03 per share) for the six months ended 30 June 2018, which is payable on or about 27 September 2018 to shareholders whose names appear on the register of members of the Company on 12 September 2018.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 12 September 2018.

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

On 10 June 2014, Shui On (Development) Holding Limited ("SODH") issued the USD550 million in 9.625% senior notes due 2019 (the "2019 SODH Notes"). On 28 December 2017, SODH partially redeemed USD300 million of the outstanding 2019 SODH Notes with the aggregate principal amount of USD550 million on a pro rata basis and paid the redemption price plus the accrued and unpaid interest. Upon such redemption, the outstanding principal amount of 2019 SODH Notes was USD250 million. On 22 January 2018, SODH further redeemed the outstanding 2019 SODH Notes with the aggregate principal amount of USD250 million and paid the redemption price plus the accrued and unpaid interest. Upon completion of the redemption, the 2019 SODH Notes were cancelled.

On 19 May 2014, SODH issued USD637,027,000 in 8.700% senior notes due 2018 (the "2018 SODH Notes"). SODH had fully repaid the principal amount of the outstanding 2018 SODH Notes together with the accrued and unpaid interest upon its maturity on 19 May 2018.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and aligns with its latest developments. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholder value, and stakeholders' confidence in the Company. During the six months ended 30 June 2018, the Company has complied with all the applicable code provisions of the CG Code.

The Audit and Risk Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018, including the accounting principles and practices and internal control system adopted by the Company, in conjunction with the Company's external auditor. The Audit and Risk Committee has no disagreement with the accounting treatment adopted.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2018.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2018, the number of employees in the Group was 3,039 (31 December 2017: 3,219); which included the headcount of China Xintiandi at 444 (31 December 2017: 435), the headcount of the property management business at 1,528(31 December 2017: 1,635), the headcount of the construction and fitting out business at 253 (31 December 2017: 266). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's condensed consolidated statement of financial position as of 30 June 2018, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the period then ended as set out in the preliminary announcement have been extracted from the Group's unaudited condensed consolidated financial statements for the period, which has been reviewed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

THANK YOU

I extend my sincere gratitude to the members of the Board for their wise counsel. I also wish to thank our management and employees, without whom we would not have been able to achieve the results we did. I also wish to thank our business partners for their trust and support. We look forward to working with them to progress our joint projects during the remainder of the year.

Although faced by challenges such as rising interest rates and increasing trade tensions, by maintaining a prudent approach, strengthening our balance sheet and leveraging our partnerships for new opportunities, the Group is well positioned to progress further in the times to come.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company OF INTERIM REPORT ON THE WEBSITE OF THE STOCK information required by the Listing Rules will be published on the website of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 August 2018

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

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

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

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

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

* *For identification purposes only*