瑞安房地產
SHUI ON LAND

Change in Progress

變中求進

Shui On Land Limited 瑞安房地產有限公司
Interim Report 2014 二零一四年度中期業績報告
Stock Code 股份代號：272

We Optimise Our Development Strategy, Strengthen Our Management Control, Enhance Our Operations Efficiency.

Innovative Property Developer in China

Established in 2004 and listed on The Stock Exchange of Hong Kong (Stock Code: 272) in October 2006, Shui On Land Limited is the Shui On Group's flagship property development company in the Chinese Mainland. Headquartered in Shanghai, Shui On Land has established a solid foundation in the Chinese Mainland and has a proven track record in developing large-scale, mixed-use city-core communities and integrated residential development projects.

Shui On Land develops innovative and high-quality residential, office, retail, entertainment and cultural properties in the Chinese Mainland. Shui On Land applies its hallmark approach of master-planning to all projects to ensure that developments are fully consistent with government objectives in economic development and urban planning while simultaneously incorporating local historical and cultural characteristics into our designs and planning. Manifesting the "Total Community" concept, our projects provide a unique environment enabling life enrichment of "Live-Work-Play".

The Company's landbank stood at 12.5 million sq.m. (10.3 million sq.m. of leasable and saleable GFA, and 2.2 million sq.m. of clubhouses, car parking spaces and other facilities). Its eight projects, in various stages of development, are all situated in prime locations within Shanghai, Chongqing, Wuhan, Dalian and Foshan.

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CHAIRMAN'S STATEMENT

To meet the challenges of China's property sector, we have initiated a comprehensive reorganisation of the Group that gives us a new strategic direction.

Volatility continued to exert a dampening effect on both transaction volumes and prices in China's property market during the first half of 2014 ("1H 2014"). Shui On Land generated turnover of RMB5,236 million (HKD6,613 million) in the six-month period ended 30 June 2014, representing an increase of 45% compared with the same period in 2013.

However, profit attributable to shareholders decreased by 24% to RMB797 million in 1H 2014 compared with RMB1,051 million in the first half of 2013 ("1H 2013"). The decrease was mainly due to the distribution to the owners of the Perpetual Capital Securities of the Group and the Convertible Perpetual Securities of China Xintiandi Holding, and a lower net profit caused by an increase in overhead cost as a result of the establishment of the fully integrated asset management of China Xintiandi Holding and the one-off cost incurred for the preparation works of Brookfield's investment. The depreciation of the Renminbi during 1H 2014 also caused an exchange loss, in contrast to the appreciation recorded in 1H 2013. Basic earnings per share were RMB0.10 (HKD0.13).

A new direction for Shui On Land

To meet the challenges of China's property sector, we have initiated a comprehensive reorganisation of the Group that gives us a new strategic direction. We have separated the roles of Shui On Land and China Xintiandi, and reorganised our management structure, thereby strengthening our project-led management system. We have also enhanced management and internal controls, clarified departmental roles and individual responsibilities, and reinforced the KPIs against which our employees' performance is measured.

Our focus is on accelerating our asset turnover rate and improving profitability. The restructuring has progressed steadily since its implementation late last year.

Steady progress, an improved outlook

Fewer saleable resources in Shanghai resulted in decreased contract sales in 1H 2014 compared with the same period in 2013. We anticipate bringing on-stream more properties in Wuhan Tiandi, Chongqing Tiandi, Foshan Lingnan Tiandi and Dalian Tiandi for sale or pre-sale in the second half of this year.

During the period under review, we accelerated the relocation and development of our integrated, master-planned communities in city centres, including Rui Hong Xin Cheng and Taipingqiao in Shanghai. As a result of new rules and regulations introduced in late 2011 governing the relocation of residents, we have cleared 283,000 sq.m. of Gross Floor Area ("GFA") from our landbank in the centre of Shanghai by August this year, providing more saleable resources starting in the second half of 2015 ("2H 2015"). We aim to improve overall sales and achieve a more stable sales performance.

3 Corporate Avenue, also in Shanghai, is scheduled to be completed in the first half of 2015 ("1H 2015"). THE HUB, located in the Hongqiao Commercial Zone of Shanghai, is progressing satisfactorily and is on track for completion in early 2015. In June this year, we opened Showroom Offices for THE HUB. Shell, Roche Diagnostics, Grundfos and Keyence are now conducting business in these Offices.

China Xintiandi on a solid footing

In 2013, we established China Xintiandi as a wholly-owned subsidiary of Shui On Land. This will enable Shui On Land to focus on developing master-planned communities without holding any investment properties.

Under this new structure, Shui On Land continues to operate as a developer for residential and commercial properties. In complement, China Xintiandi is the investor, operator and manager of the core investment properties and is responsible for the disposal of the non-core commercial properties. The goal of this new arrangement is to accelerate the sale of commercial assets in order to increase asset churn.

The reorganisation of China Xintiandi was completed during 1H 2014. Two senior managing partners from Brookfield, Mr Brian Kingston and Mr Bill Powell, are now on China Xintiandi's Board of Directors. Another two senior management personnel – the Chief Operating Officer, Mr Stefan Dembinski and Executive Director of Corporate Finance, Mr Ricky Tang – are currently based in Shanghai, working with the China Xintiandi team on a daily basis.

All of us at the Group welcome the partnership with Brookfield, the world's largest property investor, which brings the benefit of Brookfield's experience to China Xintiandi, including systems and asset enhancement strategies for improving rental rates and the overall business.

Appreciation

The first half of 2014 has been a challenge for us all. However, I am hopeful that the changes in our management structure will ultimately lead to improved profitability. I would like to take this opportunity to thank my fellow Directors, our management and employees for sharing our vision on the way forward and for their ongoing efforts towards realising this vision.

I would like to welcome Mr Brian Kingston and Mr Bill Powell of Brookfield to the Board of China Xintiandi. There is much we can learn from Brookfield, and I would hope that they find their experience with us equally rewarding.

As we enter the second half of 2014, I believe our reinvigorated management structure gives us a promising foundation for the future and the means to create greater value for our shareholders.

Vincent H. S. LO
Chairman

Hong Kong, 27 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Wuhan Tiandi creates a comfortable living environment

Business Review

For the first half of year 2014 ("1H 2014"), the Group's turnover increased by 45% to RMB5,236 million, in comparison with turnover of RMB3,623 million in the first half of year 2013 ("1H 2013"). Property sales and rental and related income (including income from hotel operations) accounted for RMB4,447 million and RMB764 million respectively, or 84.9% and 14.6% of total turnover in 1H 2014. The remaining sum of RMB25 million or 0.5% was generated from other income. The significant increase in turnover in 1H 2014 reflected delivery at a higher Average Selling Price ("ASP") of The View, Phase 5 residential properties (Lot 6) of Shanghai Rui Hong Xin Cheng ("RHXC"), constituting a total Gross Floor Area ("GFA") of 88,100 sq.m. and carparks, for RMB3,885 million, or 87.4% of the total recognised property sales.

Rental and related income (including income from hotel operations) increased by 9% to RMB764 million in 1H 2014 compared to 1H 2013. Occupancy of the completed investment properties remained stable. Pre-leasing of 3 Corporate Avenue, Phase II ("3 Corporate Avenue"), THE HUB and Rui Hong Tiandi Lot 6 located in Shanghai, as well as the HORIZON (Lots A1/A2/A3 shopping mall) at Wuhan Tiandi and 6, 7 and 8 Corporate Avenue of Jialing Tiandi at Chongqing Tiandi, received overwhelming responses from top tier retailers and multi-national corporations for the respective retail and office spaces. The Group expects a stronger rental growth with completion of investment properties in Shanghai in the coming year. Details of the business performance of the investment properties are reported under the sections: Business Updates of CXTD Holding and Business Updates of Knowledge Communities.

Gross profit increased by 17% to RMB1,667 million in 1H 2014 compared to RMB1,419 million in 1H 2013. Due to a lower gross profit margin of the property sales, the gross profit margin dropped by 7% to 32%.

In 1H 2014, contracted property sales from general property and carparks, including those from Dalian associates, amounted to RMB2,819 million, a decrease of 56% from RMB6,409 million in 1H 2013. A total GFA of 131,400 sq.m. was sold and presold, representing a drop of 45% compared to 238,400 sq.m. in 1H 2013.

Selling and marketing expenses decreased by 28% to RMB103 million in 1H 2014, due to fewer contracted sales being achieved in 1H 2014.

General and administrative expenses increased by 34% to RMB543 million in 1H 2014, compared to RMB406 million in 1H 2013. The increase was a result of the establishment during the reporting period of the fully integrated asset management platform for China Xintiandi Holding Company Limited ("CXTD Holding").

In 1H 2014, the Group also recorded an increase in fair value of investment properties, totalling RMB1,262 million. The increase represents 3.0% of the total carrying value of its completed investment properties and investment properties under development at valuation as of 30 June 2014. A total leasable and saleable GFA of 1,687,000 sq.m. of investment properties held by the Group was carrying at valuation, accounting for 16.4% of the total landbank of the Group as of 30 June 2014.

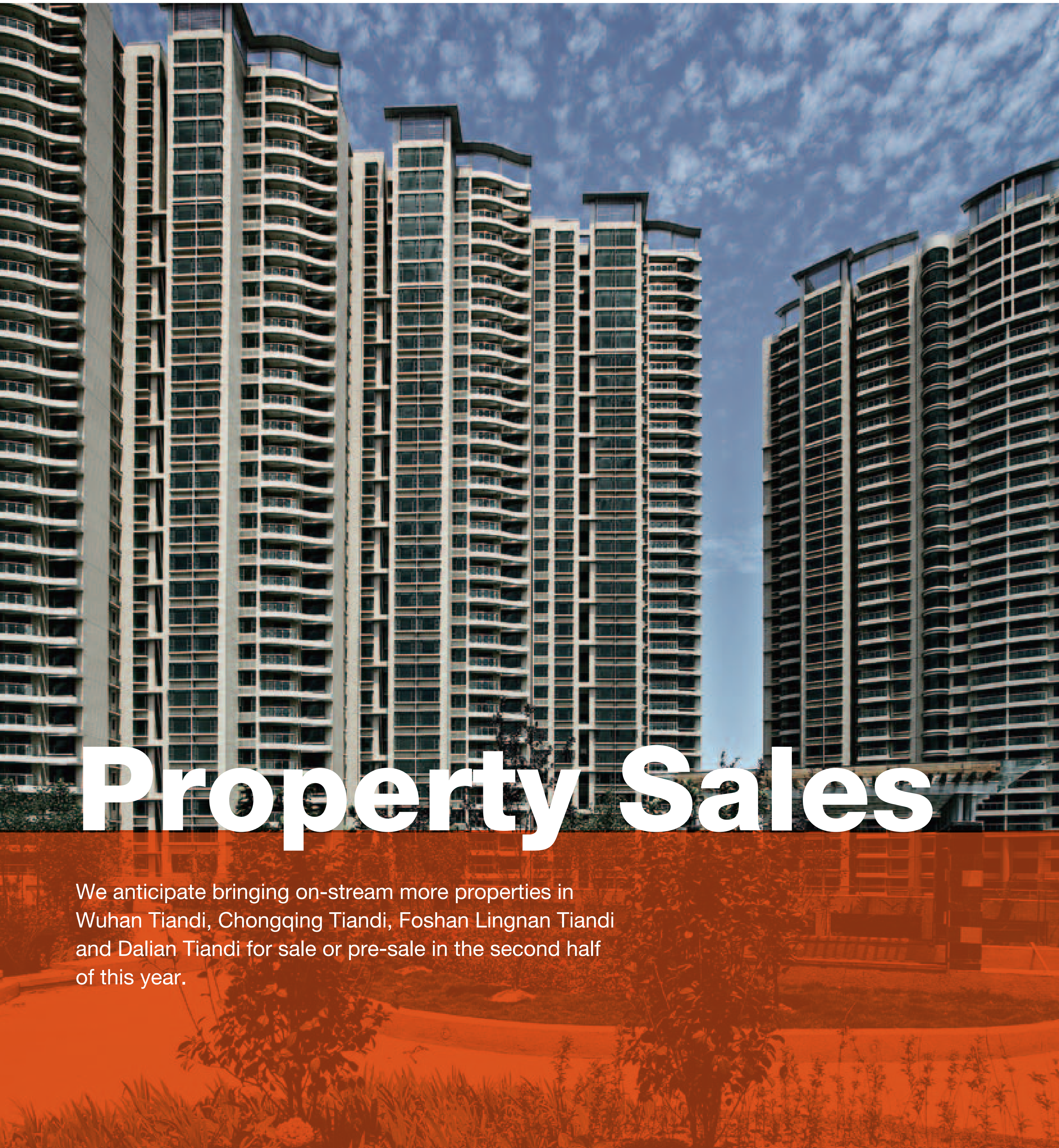
Profit for the period decreased by 16% to RMB1,105 million, mainly due to the drop in gross profit margin, the increase in general and administrative expenses, and an exchange loss of RMB126 million as a result of depreciation of the Renminbi during the six months ended 30 June 2014. Comparatively, appreciation of the Renminbi during the six months ended 30 June 2013 generated a gain of RMB205 million.

Profit attributable to shareholders decreased by 24% to RMB797 million in 1H 2014 compared to RMB1,051 million in 1H 2013. The decrease was mainly due to a lower net profit and the distribution to the owners of the Perpetual Capital Securities of the Company and the Convertible Perpetual Securities of CXTD Holding.

As of 30 June 2014, the Group held a total of RMB6,479 million in locked-in sales (including those of Dalian associates), comprising a total GFA of 331,200 sq.m., slated for delivery to customers and recognised as property sales or disposal of investment properties in the second half of year 2014 ("2H 2014") and beyond.

As of 30 June 2014, the Group had invested a total of RMB14.2 billion of capital into relocation of sites for a total GFA of 861,000 sq.m. in the Shanghai Taipingqiao project and Shanghai RHXC project. A total of 283,000 sq.m. of GFA was cleared during the past few months. The Group expects stronger sales to be generated from Shanghai from the second half of year 2015 ("2H 2015").

Foshan Lingnan Tiandi has become a landmark of the city and its residential products are highly recognised by the market



Property Sales

We anticipate bringing on-stream more properties in Wuhan Tiandi, Chongqing Tiandi, Foshan Lingnan Tiandi and Dalian Tiandi for sale or pre-sale in the second half of this year.

Property Sales

Recognised Property Sales

Recognised property sales increased by 53% to RMB4,447 million, amounting to a total GFA of 118,000 sq.m. during the reporting period. The increase was due to more properties with a higher ASP located at Shanghai RHXC Phase 5 being delivered and recognised as property sales under turnover of the Group. Shanghai RHXC contributed 87.4% of the Group's recognised property sales in 1H 2014. Foshan Lingnan Tiandi and Chongqing Tiandi accounted for recognised sales of 7% and 4% respectively.

The Group's recognised ASP was recorded at RMB39,900 per sq.m. in 1H 2014. The increase of 128% compared to 1H 2013 was mainly due to more properties with a higher ASP located at Shanghai RHXC Phase 5 being delivered during the period.

The table below summarises by project the recognised sales (stated after the deduction of business tax of 5% and other surcharges/taxes) for 1H 2014 and 1H 2013:

Project	1H 2014			1H 2013			
	Sales revenue	GFA sold	ASP	Sales revenue	GFA sold	ASP	ASP Growth rate
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.	%
Shanghai RHXC	3,883	88,100	46,700	–	–	–	–
Shanghai Knowledge and Innovation Community ("KIC")							
Small Office	44	1,800	25,900	74	3,000	26,100	(1%)
Grade A Office	–	–	–	161	4,600	37,100	–
Residential	2	100	21,200	–	–	–	–
Wuhan Tiandi							
Site B Residential	–	–	–	255	12,600	21,500	–
Site B Retail	–	–	–	46	1,100	44,300	–
Chongqing Tiandi							
Residential[1]	164	15,400	13,800	450	44,200	13,200	5%
Retail & Office	38	1,000	40,300	1,535	100,900	16,100	150%
Foshan Lingnan Tiandi							
Townhouses	75	2,100	37,900	38	1,100	36,600	4%
Low-/mid-/high-rises	195	12,200	17,000	250	16,100	16,500	3%
Retail	8	100	84,900	135	1,800	79,600	7%
Subtotal	**4,409**	**120,800**	**38,700**	**2,944**	**185,400**	**16,800**	**130%**
Carparks and others	120	–	–	244	–	–	–
Dalian Tiandi							
Mid-/high-rises	398	38,600	10,900	214	22,900	9,900	10%
Villa	23	1,300	18,800	51	2,900	18,600	1%
Total	**4,950**	**160,700**	**32,600**	**3,453**	**211,200**	**17,300**	**88%**
Recognised as:							
– property sales in turnover of the Group[2]	4,447	118,000	39,900	2,913	176,700	17,500	128%
– disposal of investment properties[2]	82	2,800	31,000	275	8,700	33,500	(7%)
– turnover of associates	421	39,900	11,200	265	25,800	10,900	3%
Total	**4,950**	**160,700**	**32,600**	**3,453**	**211,200**	**17,300**	**88%**

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

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

Contracted Property Sales

In 1H 2014, contracted property sales from general property and carparks, including those from Dalian associates, amounted to RMB2,819 million, a decrease of 56% from RMB6,409 million in 1H 2013. A total GFA of 131,400 sq.m. was sold and presold, representing a drop of 45% compared to 238,400 sq.m. in 1H 2013.

In addition to the contracted property sales outlined above, a total GFA of 35,200 sq.m. was subscribed for and subject to formal sale and purchase agreements as of 30 June 2014, at a total value of RMB736 million.

A change in project contribution and product mix resulted in a drop of 20% in ASP, which attained RMB21,500 per sq.m.. ASP of Shanghai RHXC increased by 18% to RMB54,500 per sq.m. in 1H 2014, compared to RMB46,100 per sq.m. in 1H 2013. The drop of ASP in Chongqing Tiandi retail shops, Foshan Lingnan Tiandi low-/mid-/high-rises apartments and Dalian Tiandi villas, was mainly due to differences in the location of the properties sold, as well as different sales periods.

No *en-bloc* commercial property sale was entered into during 1H 2014.

The table below provides an analysis by project of contracted sales (stated before the deduction of business tax of 5% and other surcharges/taxes) for 1H 2014 and 1H 2013:

Project	1H 2014 Contracted amount	1H 2014 GFA sold	1H 2014 ASP	1H 2013 Contracted amount	1H 2013 GFA sold	1H 2013 ASP	ASP Growth rate
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.	%
General property sales:							
Shanghai RHXC	1,129	20,700	54,500	3,487	75,600	46,100	18%
Shanghai KIC							
Office	31	1,300	23,800	34	1,400	24,300	(2%)
Residential	–	–	–	297	7,800	38,100	–
Wuhan Tiandi							
Site B Residential	616	26,000	23,700	942	42,100	22,400	6%
Site B Retail	–	–	–	72	1,600	45,000	–
Chongqing Tiandi							
Residential[1]	488	49,600	12,000	714	70,600	12,300	(2%)
Retail	48	1,500	32,000	103	2,500	41,200	(22%)
Foshan Lingnan Tiandi							
Townhouses	–	–	–	95	2,600	36,500	–
Low-/mid-/high-rises	129	8,200	15,700	205	11,700	17,500	(10%)
High-rise (Bareshell)	58	5,800	10,000	–	–	–	–
Retail	22	300	73,300	80	1,300	61,500	19%
Subtotal	**2,521**	**113,400**	**22,200**	**6,029**	**217,200**	**27,800**	**(20%)**
Dalian Tiandi							
Villas	17	1,000	17,000	36	1,800	20,000	(15%)
Mid-/high-rises	189	17,000	11,100	206	19,400	10,600	5%
Carparks and others	92	–	–	138	–	–	–
Grand total	**2,819**	**131,400**	**21,500**	**6,409**	**238,400**	**26,900**	**(20%)**

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

Residential GFA Available for Sale and Pre-sale in 2H 2014

The Group has approximately 483,800 sq.m. of residential GFA spanning six Group projects, available for sale and pre-sale during 2H 2014, as summarised below:

Project	Phase Name	Available for sale and pre-sale in 2H 2014	
		Completed	Under Construction
		GFA in sq.m.	GFA in sq.m.
Shanghai RHXC	The View (High-rises)	2,000	3,900
Shanghai KIC	Jiangwan Regency (Lot 311 Mid-rises)	200	–
Wuhan Tiandi	Wuhan Tiandi B13 and LA RIVA (Low-/mid-/high-rises)	–	96,800
Chongqing Tiandi	The Riviera II, IV and V (Low-/mid-/high-rises, townhouses)	60,500	46,200
Foshan Lingnan Tiandi	The Regency Phase 2 and Lingnan Tiandi Park Royale (Low-/mid-/high-rises)	36,400	–
	The Legendary Phases 1-2 (Townhouses)	9,900	–
	Lingnan Tiandi The Imperial (Low-rises) and The Metropolis (High-rises)	–	97,400
Dalian Tiandi	Huangnichuan (Mid-/high-rises)	100	64,900
	Huangnichuan (Villas)	15,800	–
	Hekou Bay (Mid-/high-rises)	22,700	27,000
Total		**147,600**	**336,200**

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

Investment Property Business

Rental and related income

Rental and related income from investment properties rose by 9% to RMB764 million in 1H 2014. The sum of RMB614 million was generated by rental and related income from the existing investment properties, representing an annual growth of 8%. The remaining sum of RMB150 million was generated from hotel operations. This result was mainly contributed by the rental growth of Shanghai KIC and the new completion of the two Showroom Office Towers at D17 at THE HUB. A total GFA of 19,000 sq.m. of investment properties was completed in 1H 2014. As newly completed investment properties, they had yet to contribute to rental and related income in 1H 2014.

Details of the business performance of the investment properties are reported under the sections: Business Updates of CXTD Holding and Business Updates of Knowledge Communities.

Change in fair value and carrying value of the Investment Properties Portfolio

The carrying value of the completed investment properties (excluding hotels and self-use properties) at valuation with a total GFA of 862,000 sq.m., was RMB30,144 million as of 30 June 2014. Of this sum, RMB533 million (representing 2% of the carrying value) arose from increased fair value during 1H 2014. The properties located in Shanghai, Chongqing, Foshan and Wuhan respectively, accounted for 76%, 13%, 6% and 5% of the carrying value of the portfolio.

As of 30 June 2014, the carrying value of the investment properties under development at valuation for a total GFA of 825,000 sq.m. was RMB12,476 million. Of this sum, RMB729 million (representing 6% of the carrying value) arose from increased fair value during 1H 2014. The increase was mainly due to the accelerated construction works of 3 Corporate Avenue located at the Shanghai Taipingqiao project and HORIZON (Lots A1/A2/A3 shopping mall) at the Wuhan Tiandi project.

The carrying value of Shanghai Langham Xintiandi Hotel, Shanghai 88 Xintiandi Hotel and Marco Polo Lingnan Tiandi Foshan Hotel was RMB2,292 million as of 30 June 2014. These projects were carried at either the original acquisition cost or the construction cost, net of accumulated depreciation.

The carrying value of the remaining commercial-use landbank acquired on or before 2007, was stated at cost of RMB11,934 million as of 30 June 2014.

The table below summarises the carrying value of the investment properties at valuation as of 30 June 2014 together with the change in fair value for 1H 2014:

Project	Leasable GFA	Increase/ (decrease) in fair value for 1H 2014	Carrying value as of 30 June 2014	Carrying value per GFA	Valuation gain/(loss) to carrying value
	sq.m.	RMB' million	RMB' million	RMB per sq.m.	%
CXTD Holding Initial Portfolio in co-operation with Brookfield					
Completed investment properties at valuation					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	79,000	104	6,225	78,800	2%
1&2 Corporate Avenue	83,000	93	4,684	56,400	2%
Shui On Plaza	50,000	53	2,884	57,700	2%
THE HUB	58,000	4	2,510	43,300	–
Subtotal	**270,000**	**254**	**16,303**	**60,400**	**2%**
Investment properties under development at valuation					
Shanghai Taipingqiao					
3 Corporate Avenue	87,000	288	4,144	47,600	7%
THE HUB	178,000	13	4,611	25,900	–
Subtotal	**265,000**	**301**	**8,755**	**33,000**	**3%**
Shui On Land Portfolio					
Completed investment properties at valuation					
Shanghai Taipingqiao					
Langham Xintiandi Hotel Retail Shops	1,000	3	204	204,000	1%
Shanghai RHXC	66,000	170	1,693	25,700	10%
Shanghai KIC	155,000	87	4,726	30,500	2%
Wuhan Tiandi	46,000	102	1,395	30,300	7%
Chongqing Tiandi	258,000	(97)	3,829	14,800	(3%)
Foshan Lingnan Tiandi	66,000	14	1,994	30,200	1%
Subtotal	**592,000**	**279**[1]	**13,841**[2]	**23,400**	**2%**
Investment properties under development at valuation					
Shanghai KIC	5,000	16	47	9,400	34%
Wuhan Tiandi	167,000	418	2,082	12,500	20%
Chongqing Tiandi	388,000	(6)	1,592	4,100	–
Subtotal	**560,000**	**428**	**3,721**	**6,600**	**12%**
Total	**1,687,000**	**1,262**	**42,620**	**25,300**	**3%**

1 The valuation gain of RMB119 million from investment properties completed in 1H 2014 was recognised during the development stage.

2 Certain investment properties with the aggregate carrying amount of RMB2,111 million were included in investment properties classified as held for sale in the Group's condensed consolidated statement of financial position.

Rental and related income from investment properties rose by 9% to RMB764 million in 1H 2014. This result was mainly contributed by the rental growth of Shanghai KIC and the new completion of the two Showroom Office Towers at D17 at THE HUB.

Property Development Progress

Construction works completed in 1H 2014

A total of 363,000 sq.m. of GFA for residential and retail properties was completed at four major developments during 1H 2014. The View, Phase 5 of Shanghai RHXC, which was substantially completed, accounted for a total of 96,000 sq.m. of residential GFA and 19,000 sq.m. of ancillary retail space during the reporting period. Chongqing Tiandi, Foshan Lingnan Tiandi and Dalian Tiandi at Hekou Bay accounted for 126,000 sq.m., 46,000 sq.m. and 76,000 sq.m. of GFA, respectively.

Property Completed in 1H 2014 and Development Plan for 2H 2014 and 2015

The table below summarises the projects with construction works completed in 1H 2014 and construction works that are planned for completion in 2H 2014 and 2015:

Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
Delivered in 1H 2014							
Shanghai RHXC	96,000	–	19,000	–	**115,000**	49,000	**164,000**
Chongqing Tiandi	124,000	–	2,000	–	**126,000**	40,000	**166,000**
Foshan Lingnan Tiandi	43,000	–	3,000	–	**46,000**	29,000	**75,000**
Dalian Tiandi[1]	76,000	–	–	–	**76,000**	38,000	**114,000**
Total	**339,000**	**–**	**24,000**	**–**	**363,000**	**156,000**	**519,000**
Planned for delivery in 2H 2014							
Shanghai RHXC	22,000	–	–	–	**22,000**	–	**22,000**
Shanghai KIC	–	87,000	9,000	–	**96,000**	44,000	**140,000**
THE HUB	–	38,000	126,000	–	**164,000**	112,000	**276,000**
Wuhan Tiandi	56,000	–	–	–	**56,000**	22,000	**78,000**
Chongqing Tiandi	46,000	–	–	–	**46,000**	1,000	**47,000**
Foshan Lingnan Tiandi	12,000	–	4,000	–	**16,000**	10,000	**26,000**
Dalian Tiandi[1]	15,000	–	–	–	**15,000**	7,000	**22,000**
Total	**151,000**	**125,000**	**139,000**	**–**	**415,000**	**196,000**	**611,000**
Planned for delivery in 2015							
Shanghai Taipingqiao	–	56,000	31,000	–	**87,000**	32,000	**119,000**
Shanghai RHXC	–	–	59,000	17,000	**76,000**	28,000	**104,000**
Shanghai KIC	–	5,000	–	23,000	**28,000**	2,000	**30,000**
THE HUB	–	11,000	3,000	45,000	**59,000**	3,000	**62,000**
Wuhan Tiandi	–	119,000	110,000	7,000	**236,000**	129,000	**365,000**
Chongqing Tiandi	71,000	–	9,000	–	**80,000**	23,000	**103,000**
Foshan Lingnan Tiandi	114,000	–	102,000	–	**216,000**	69,000	**285,000**
Dalian Tiandi[1]	88,000	36,000	1,000	–	**125,000**	40,000	**165,000**
Total	**273,000**	**227,000**	**315,000**	**92,000**	**907,000**	**326,000**	**1,233,000**

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

As 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Shanghai Taipingqiao

Comprising a total GFA of 87,000 sq.m., 3 Corporate Avenue will accommodate a Grade A office building with a GFA of 56,000 sq.m. and a high-end shopping mall offering 31,000 sq.m. of retail space, both properties being under development. The superstructure of 3 Corporate Avenue was completed in 1H 2014. Construction is scheduled to be completed in 1H 2015 and offices are projected to be available for fitting out and occupancy in 2015.

Shanghai RHXC

The View, residential Phase 5 of RHXC, was substantially completed in 1H 2014 for a residential GFA of 96,000 sq.m. and retail GFA of 19,000 sq.m. (also known as Rui Hong Tiandi Lot 6). The plan is to complete the remaining area and progressively deliver to buyers in 2H 2014.

Rui Hong Tiandi Lot 3 with 59,000 sq.m. of retail space and 17,000 sq.m. of hotel and serviced apartment use, is currently under construction. Completion is planned for 2015.

Shanghai KIC

The remaining area of Lot 311, also known as 1-7 KIC Corporate Avenue, and Lot 12-8, are currently under construction, with 92,000 sq.m. of GFA designated for offices, 9,000 sq.m. for retail space and 23,000 sq.m. for hotel construction. Sales and delivery are planned for 2014 and 2015.

THE HUB

Construction works of the above ground area of D17 Showroom Office Towers 2 and 3 for a total GFA of 58,000 sq.m., were completed in 2H 2013. The remaining area of THE HUB is currently under construction and will yield an estimated GFA of 223,000 sq.m.. A total GFA of 164,000 sq.m. is planned for completion during 2H 2014, comprising 38,000 sq.m. of office space, and 126,000 sq.m. of retail, entertainment and restaurant facilities. The performance and exhibition centre of 14,000 sq.m. and a 5-Star hotel of 45,000 sq.m. are scheduled for completion in 2015.

Wuhan Tiandi

Wuhan Tiandi B13 and LA RIVA (Lot B14), with a total GFA of 144,000 sq.m., are currently under construction. Lot B13 is scheduled to be completed in 2H 2014 and LA RIVA is planned for completion in 2016.

Construction is in progress at HORIZON, and is projected to yield a total GFA of 110,000 sq.m.. Completion is expected to be in 2H 2015. A Grade A office building at Lot A2 is currently under construction and is expected to yield prime office space, providing 46,000 sq.m. of GFA. Completion is targeted for 2015. Construction works are in progress at Lot A3 with a total GFA of 60,000 sq.m for office space. Targeted completion is from late 2015.

Chongqing Tiandi

Construction works at stage 2 of The Riviera V, offering a total of 124,000 sq.m. of GFA for residential units and a total GFA of 2,000 sq.m. for retail use were completed in 1H 2014. The residential units will be progressively delivered to customers in 2H 2014. The remaining units of The Riviera V, with a total GFA of 46,000 sq.m. are currently under construction and planned for completion in 2H 2014. Construction of The Riviera VI will commence in 2H 2014 to yield a total GFA of 189,000 sq.m.. Completion is scheduled in phases from late 2015 to 2016.

Foshan Lingnan Tiandi

Construction works of 43,000 sq.m. of high-rises and 3,000 sq.m. of the retail spaces at Lingnan Tiandi Park Royale (Lot 6) were completed in 1H 2014. Development works are in progress at Lot 1 Phase 3, Lots 16, 18, E and Lot 3 Phase 1, where a total GFA of 232,000 sq.m. will accommodate residential and retail use. The development is scheduled to be progressively completed between 2H 2014 and 2015.

Dalian Tiandi

A total GFA of 76,000 sq.m. of residential development at Hekou Bay area (Site A of Dalian Tiandi) was completed in 1H 2014 and has been progressively handed over to the buyers.

At Hekou Bay (Site A of Dalian Tiandi), GFA of 60,000 sq.m. for residential use, 30,000 sq.m. for office space, 13,000 sq.m. for retail space and 13,000 sq.m. for service apartments are under construction. Except the office space which is expected to be completed after 2016, the properties for residential, retail and service apartments are scheduled for completion between 2H 2014 and 2016.

1 Formerly known as Shanghai Taipingqiao.


Outlook of Shanghai Taipingqiao

At Huangnichuan (Site C of Dalian Tiandi), a total GFA of 70,000 sq.m. is under construction for commercial use and 156,000 sq.m. for residential properties. They are planned for completion starting from 2015.

Relocation progress

Shanghai Taipingqiao

Lakeville Phase 4 (Lot 116) has a total residential GFA of 87,000 sq.m. and the site was cleared in August 2014. As of 30 June 2014, RMB3,973 million had been paid for Lot 116.

Relocation plans have yet to be determined for Lots 118, 119, 120, 122, 123, 124 and 132, with a total proposed GFA of 496,000 sq.m.. The relocation plans for these sites are subject to final proposal and agreement terms among relevant parties.

Shanghai RHXC

Relocation of Lots 2 and 9, with a planned total GFA of 196,000 sq.m., was completed in June and July of 2014. These sites have been delivered to the Group for commencement of construction. The pre-sale launch of properties is scheduled from 2H 2015.

Lots 1 and 7 are earmarked for residential use. Relocation at these lots started in late 2013, with 94% of residents confirming their agreement to the relocation scheme. Relocation of Lot 10 remained at 78%, as more resources were allocated to completing the relocation of Lots 2 and 9. The relocation of these sites is estimated to be completed in 2015.

The development plan for these sites comprises the construction of residential properties in Lots 2 and 9, Rui Hong Tiandi entertainment hub in Lot 3, and two office buildings at a shopping mall in Lot 10.

As of 30 June 2014, RMB10,220 million had been paid for Lots 1, 2, 7, 9 and 10, yielding a total GFA of 774,000 sq.m. It is envisaged that the balance of the relocation cost will be paid according to the actual relocation progress and site delivery.

Relocation plans and timetables have yet to be determined for Lot 167 for residential, office and retail use, with a total planned GFA of 230,000 sq.m.. The relocation plans of these sites are subject to final proposal and agreement terms among relevant parties.

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

Project	Percentage of relocation as of 30 June 2014	Leasable and saleable GFA	Relocation cost paid as of 30 June 2014	Estimated outstanding relocation cost as of 30 June 2014	Actual/ Estimated relocation completion year
		sq.m.	RMB'million	RMB'million	
Shanghai Taipingqiao Lot 116 (Phase 4 residential)	99.9%	87,000	3,973	200	2014
RHXC Lot 2 (Phase 7 residential)	100%	108,000	1,727	132	2014
RHXC Lot 9 (Phase 6 residential)	99.5%	88,000	1,705	234	2014
RHXC Lot 1 (Residential)	94%	110,000	2,298	1,766	2015
RHXC Lot 7 (Residential)	94%	160,000	2,298	1,781	2015
RHXC Lot 10 (Rui Hong Tiandi Lot 10)	78%	308,000	2,192	879	2015
Total		861,000	14,193	4,992	

Landbank

As of 30 June 2014, the Group's landbank, including the contribution of its Dalian associates, stood at a GFA of 12.5 million sq.m., comprising 10.3 million sq.m. of leasable and saleable area, and 2.2 million sq.m. for clubhouses, car parking spaces and other facilities. These landbank properties are spread across eight development projects located in the prime areas of five major PRC cities: Shanghai, Wuhan, Chongqing, Foshan and Dalian.

Of the total leasable and saleable GFA of 10.3 million sq.m., the sum of 1.5 million sq.m. was developed, and held for sale and/or investment. Approximately 3.4 million sq.m. were under development, and the remaining 5.4 million sq.m. were held for future development.

Only two major Group projects, namely Shanghai Taipingqiao and Shanghai RHXC, are still subject to relocation. They are city re-development projects acquired in the mid-1990s, before the implementation of the public land auction system in China during the early 2000s.

Relocation is underway on a total leasable and saleable GFA of 861,000 sq.m., as described in the previous section. Relocations at these sites are planned for completion between 2014 and 2015. Relocation plans and the timetable for the remaining 726,000 sq.m. of GFA located at Shanghai Taipingqiao and RHXC have yet to be determined. The relocation plans for these sites are subject to final proposal and agreement terms among relevant parties.

Rui Hong Xin Cheng becomes an icon of modern city lifestyle

The Group's total landbank as of 30 June 2014, including that of its associates, is summarised below:

	Approximate/Estimated leasable and saleable GFA							
Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	%
Completed properties:								
Shanghai Taipingqiao	–	111,000	110,000	38,000	**259,000**	102,000	**361,000**	99.0%[1]
Shanghai RHXC	8,000	–	66,000	–	**74,000**	107,000	**181,000**	79.0%[2]
Shanghai KIC	2,000	108,000	53,000	–	**163,000**	121,000	**284,000**	86.8%[3]
THE HUB	–	57,000	1,000	–	**58,000**	2,000	**60,000**	100.0%
Wuhan Tiandi	–	–	46,000	–	**46,000**	30,000	**76,000**	75.0%
Chongqing Tiandi	148,000	120,000	143,000	–	**411,000**	232,000	**643,000**	79.4%[4]
Foshan Lingnan Tiandi	54,000	–	69,000	38,000	**161,000**	101,000	**262,000**	100.0%[5]
Dalian Tiandi	101,000	207,000	41,000	–	**349,000**	150,000	**499,000**	48.0%[6]
Subtotal	**313,000**	**603,000**	**529,000**	**76,000**	**1,521,000**	**845,000**	**2,366,000**	
Properties under development:								
Shanghai Taipingqiao	87,000	56,000	31,000	–	**174,000**	79,000	**253,000**	99.0%[1]
Shanghai RHXC	215,000	–	62,000	17,000	**294,000**	104,000	**398,000**	79.0%[2]
Shanghai KIC	–	92,000	9,000	23,000	**124,000**	46,000	**170,000**	99.0%[3]
THE HUB	–	49,000	129,000	45,000	**223,000**	115,000	**338,000**	100.0%
Wuhan Tiandi	144,000	235,000	110,000	58,000	**547,000**	186,000	**733,000**	75.0%
Chongqing Tiandi	222,000	411,000	200,000	25,000	**858,000**	239,000	**1,097,000**	79.4%[4]
Foshan Lingnan Tiandi	126,000	–	108,000	–	**234,000**	79,000	**313,000**	100.0%[5]
Dalian Tiandi	411,000	207,000	188,000	143,000	**949,000**	292,000	**1,241,000**	48.0%[6]
Subtotal	**1,205,000**	**1,050,000**	**837,000**	**311,000**	**3,403,000**	**1,140,000**	**4,543,000**	
Properties for future development:								
Shanghai Taipingqiao	166,000	174,000	118,000	38,000	**496,000**	44,000	**540,000**	99.0%
Shanghai RHXC	351,000	272,000	185,000	–	**808,000**	9,000	**817,000**	79.0%[2]
Wuhan Tiandi	283,000	166,000	148,000	10,000	**607,000**	4,000	**611,000**	75.0%
Chongqing Tiandi	593,000	25,000	84,000	78,000	**780,000**	177,000	**957,000**	79.4%
Foshan Lingnan Tiandi	377,000	450,000	125,000	80,000	**1,032,000**	10,000	**1,042,000**	100.0%
Dalian Tiandi[7]	491,000	867,000	262,000	42,000	**1,662,000**	–	**1,662,000**	48.0%[6]
Subtotal	**2,261,000**	**1,954,000**	**922,000**	**248,000**	**5,385,000**	**244,000**	**5,629,000**	
Total landbank GFA	**3,779,000**	**3,607,000**	**2,288,000**	**635,000**	**10,309,000**	**2,229,000**	**12,538,000**	

1 The Group has a 99.0% interest in all remaining lots, except for Shanghai Xintiandi, 1&2 Corporate Avenue, Lot 116, Shui On Plaza and Langham Xintiandi Hotel, in which the Group has an effective interest of 100.0%, 100.0%, 50.0%, 80.0% and 66.7%, respectively.

2 The Group has a 79.8% interest in Phase 1, Lot 167A and Lot 167B of Shanghai Rui Hong Xin Cheng, a 99.0% interest in the non-retail portion of Lot 6 (Phase 5) and a 79.0% interest in all remaining phases.

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

4 The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 in which the Group has a 59.5% effective interest. The development of super-high-rise towers is planned for Lot B11-1/02 for a leasable and saleable GFA of 519,000 sq.m..

5 The Group has a 100.0% interest in Foshan Lingnan Tiandi, except for Lot 6, Lot 16, and Lot 18. For Lots 6 and 16, the Group holds 55.9% effective interest and the joint venture partner, Mitsui Fudosan Residential Co., Ltd. ("Mitsui") has 44.1% effective interest. For Lot 18, the Group has 54.92% effective interest and Mitsui has 45.08% effective interest. The Group and Mitsui entered into a sale and purchase agreement on 26 August 2014, pursuant to which the Group agreed to acquire Mitsui's 49.0% equity interest of the entire issued share capital of Value Land Investment Limited ("Value Land") which indirectly owns 92.0% of Foshan Yong Rui Tian Di Property Development Co. Limited, which in turn owns the land known as Lot 18. Upon completion of this acquisition, the Group will be entitled to a 100.0% interest in Lot 18.

6 The Group has a 48.0% interest in Dalian Tiandi, except for Lots C01, C03, B08, B09, E02A and D06 in which the Group has a 33.6% effective interest. Richcoast Group Limited (a BVI company owned by the Group, the SOCAM group and the Yida group, ("Richcoast")) and Mitsui, amongst others, entered into a deed of assignment on 26 August 2014 to assign all rights and economic interests, together with risk and return generated from Lot D06 to Sinoco Investment Limited and Garco Investment Limited (wholly-owned subsidiaries of Richcoast), such that after the assignment, the Group will have 48.0% interest in Lot D06.

7 Dalian Tiandi is expected to have a landbank of 3.4 million sq.m. in GFA. As of 30 June 2014, approximately 3.1 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. is expected to be acquired through public bidding in due course.

China Xintiandi

China Xintiandi is the investor, operator and manager of the core investment properties and is responsible for the disposal of the non-core commercial properties.

Business Updates of CXTD Holding

With the successful completion of the initial investment of Brookfield Property L.P. and BSREP CXTD Holdings L.P. ("Brookfield") into CXTD Holding in February 2014, Mr. Bill Powell and Mr. Brian Kingston, two senior managing directors of Brookfield, were appointed as directors of CXTD Holding. The integrated asset management platform was established with 458 employees as of 30 June 2014.

The following provides an overview of the business performance of the portfolio outlined below:

- CXTD Holding's Initial Portfolio in co-operation with Brookfield ("Initial Portfolio") with a total GFA of 593,000 sq.m..
- Shui On Land's commercial property portfolio (excluding hotel properties) with a total GFA of 647,000 sq.m..
- Third parties' assets under management with a total GFA of 357,000 sq.m..

Initial Portfolio

For 1H 2014, rental and related income increased by 4% to RMB377 million compared to RMB363 million in 1H 2013. Office and retail spaces in the Shanghai Taipingqiao project remained stable due to tenant mix adjustments at Shanghai Xintiandi and asset enhancement initiatives at Xintiandi Style. The increase in rental and related income was driven by the newly completed Showroom Office Towers at THE HUB in the Hongqiao Transportation Hub. The tenant move-in process commenced during the second quarter of 2014 and 36% of the two office towers were occupied by the end of 1H 2014. There are active, ongoing discussions with tenants aimed at leasing the balance of the space.

Completed Investment Properties

The table below provides an overview of the performance of the completed investment properties of Initial Portfolio for 1H 2014 and 1H 2013 as well as a tenancy expiry analysis:

Project	Product	Leasable GFA	Occupancy rate as of			Rental & related income RMB' million		Period on period change %	Leases expire in % of GFA		
		sq.m.	30 June 2014	31 December 2013	30 June 2013	1H 2014	1H 2013	1H 2014	2H 2014	2015	2016
Shanghai Taipingqiao											
Shanghai Xintiandi	Retail/Offices	52,000	99%	97%	99%	147	146	1%	12%	30%	29%
Xintiandi Style	Retail	27,000	94%	88%	99%	33	33	0%	12%	26%	24%
1&2 Corporate Avenue	Offices/Retail	83,000	96%	94%	100%	121	120	1%	3%	32%	24%
Shui On Plaza	Offices/Retail	50,000[1]	97%	98%	100%	61	64	(5%)	19%	17%	3%
Subtotal		**212,000**	**97%**	**95%**	**99%**	**362**	**363**	**0%**	**11%**	**26%**	**20%**
THE HUB											
D17 Showroom Office Towers 2 & 3	Office/Retail	58,000	36%	N/A	N/A	15	–	–	0%	0%	0%
Total		**270,000**				**377**	**363**	**4%**	**10%**	**24%**	**18%**

1 A total leasable GFA of 8,000 sq.m. at Shanghai Shui On Plaza was occupied by the Group for self use.

First batch of enterprises has entered THE HUB Showroom Offices to start off businesses

Shanghai Taipingqiao

Shanghai Xintiandi went through a tenant mix adjustment during 1H 2014 with various new tenants introduced. As a result, the occupancy rate as of 30 June 2014 increased by 2% to 99% from 97% as of 31 December 2013.

The Group undertook a major asset enhancement initiative ("AEI") starting July 2014, closing down 88 Xintiandi Hotel, a boutique hotel located in Shanghai Xintiandi. The hotel is being converted to retail to generate enhanced returns. The conversion is estimated to be completed in late 2015, with the opening scheduled for 2016.

In September 2013, AEI works began on shop fronts located in Xintiandi Style along Madang Road, aimed at diversifying tenant mix and increasing food & beverage ("F&B") choices at Xintiandi Style. The work was completed in May 2014 and traffic to the mall increased significantly. The occupancy rate of Xintiandi Style increased by 6% to 94% as of 30 June 2014, compared to 88% as of 31 December 2013.

The occupancy rate of 1&2 Corporate Avenue remained stable at 96%. Rental and related income of Shui On Plaza declined, mainly due to a reduction of leasable area, attributable to some space being reclaimed by the Group as the office of the integrated management platform of CXTD.

THE HUB

Pre-leasing of the two Showroom Office Towers located at D17 received an overwhelming response from the market. The Showroom Office Towers are ideally situated at a prime site connecting to the Hongqiao Transportation Hub. Of the completed leasable GFA of 58,000 sq.m. for office and retail use, 56% was leased to several multi-national corporations as their China headquarters or Eastern China regional headquarters. Two anchor tenants occupying 36% of the space had moved in as of 30 June 2014. The average rental rate achieved was approximately 20-30% higher than the average rental rate of Hongqiao business district as a whole. Rentals of the remaining leasable areas are under negotiation. Leasing activities will continue throughout the rest of the 2014 calendar year.

During the reporting period, a total of 27,000 sq.m. of leasable GFA, representing 10% of the total completed leasable GFA, signed new tenancy agreements. Rental reversion of these newly signed tenancy agreements recorded a 12% increase compared to the previous tenancies.

Asset enhancement initiative works began on shop fronts located in Xintiandi Style along Madang Road, aimed at diversifying tenant mix and increasing food & beverage choices

Investment Properties under Development

The table below provides an overview of investment properties under development in the Initial Portfolio as of 30 June 2014:

Project	Product	Leasable GFA (sq.m.)	Estimated year of opening
Investment properties undergoing pre-leasing			
Shanghai Taipingqiao			
3 Corporate Avenue	Office	56,000	2H 2015
3 Corporate Avenue	Retail	31,000	2H 2015
THE HUB			
D17 – Showroom Office Tower 1	Offices/Retail	23,000	1H 2015
D19 – Showroom Office Tower 5	Offices/Retail	18,000	1H 2015
D17 – Xintiandi	Retail	15,000	1H 2015
D19 – Shopping Mall	Retail	108,000	2H 2015
Total		**251,000[1]**	

1 A total leasable GFA of 14,000 sq.m. of the performance and exhibition centre located at THE HUB D19 was not included in this table.

Shanghai Xintiandi, a fusion of East and West

Xintiandi Style provides room for young designers to grow and develop

At Shanghai Taipingqiao, pre-leasing of 3 Corporate Avenue received a strong response despite the slowdown in economic growth and increase of Grade A office supply in Shanghai. Most of the potential tenants under discussion with are multi-national corporations in the consulting and financial service industries. Pre-leasing of the retail podium started early this year. The plan is for the grand opening of 3 Corporate Avenue and retail podium to coincide with that of 5 Corporate Avenue, Phase II ("5 Corporate Avenue") in 2H 2015.

Market response to the pre-leasing of the total leasable GFA of 164,000 sq.m. under construction at THE HUB has been positive.

It is expected that upon completion of 3 Corporate Avenue and THE HUB, rental and related income is likely to grow substantially in the coming years.

Shui On Land Portfolio

The table below provides an overview of the performance of the completed commercial properties of Shui On Land Portfolio in 1H 2014 and 1H 2013 as well as a tenancy expiry analysis:

Project	Product	Leasable GFA	Occupancy rate as of			Rental & related income RMB' million		Period on period change %	Leases expire in % of GFA		
		sq.m.	30 June 2014	31 December 2013	30 June 2013	1H 2014	1H 2013	1H 2014	2H 2014	2015	2016
Shanghai Taipingqiao											
Langham Xintiandi Hotel Retail Shops	Retail	1,000	100%	100%	100%	7	7	0%	0%	0%	6%
Shanghai RHXC											
The Palette 1, 2, 3 & 5	Retail	47,000	100%	95%	95%	31	29	7%	7%	16%	9%
Wuhan Tiandi											
Wuhan Xintiandi	Retail	46,000	89%	91%	88%	33	27	22%	16%	25%	16%
Chongqing Tiandi											
Chongqing Xintiandi	Retail	49,000	72%	62%	76%	17	10	70%	2%	23%	12%
Foshan Lingnan Tiandi											
Lingnan Tiandi Phase 1	Retail	16,000	97%	87%	88%	37	32	16%	3%	7%	29%
Lingnan Tiandi Phase 2	Retail	36,000	17%	N/A	N/A				0%	1%	7%
Total		**195,000**				**125[1]**	**105[1]**	**19%**	**8%**	**19%**	**14%**

1 Rental income of Hangzhou Xihu Tiandi for 1H 2014 and 1H 2013, respectively of RMB8 million and RMB9 million, was not recorded in the table as Hangzhou Xihu Tiandi was disposed of on 30 May 2014.

In 1H 2014, rental and related income generated by Shui On Land's completed commercial properties portfolio increased by 19% to RMB125 million compared to RMB105 million in 1H 2013.

Rental and related income of Shanghai RHXC in 1H 2014 increased by 7% compared to 1H 2013. Rental income of Xintiandi at Wuhan Tiandi increased significantly by 22% to RMB33 million compared to RMB27 million in 1H 2013. The occupancy rate remained stable at 89%. Rental income of Xintiandi at Chongqing Tiandi rose by 70% to RMB17 million, resulting from the increased occupancy of 72% as of 30 June 2014 compared to 62% as of 31 December 2013. The rental income also reflected the improved sales results due to tenants who paid turnover rents during the reporting period. Foshan Lingnan Tiandi achieved strong 16% growth in rental income.

THE HUB Xintiandi will comprise of delicacy and recreational facilities

The table below provides an overview of newly completed commercial properties and commercial properties under development in the Shui On Land Portfolio as of 30 June 2014:

Project	Product	Leasable GFA (sq.m.)	Estimated year of opening
Shanghai RHXC			
Rui Hong Tiandi Lot 6	Retail	19,000	2H 2014
Rui Hong Tiandi Lot 3	Retail	59,000	2016
Wuhan Tiandi			
HORIZON (Lots A1/A2/A3)	Retail	110,000	2H 2015
Lot A2	Office	46,000	2015
Lot A3	Office	60,000	2015
Chongqing Tiandi			
Jialing Tiandi			
– 6, 7 Corporate Avenue	Retail	37,000	2H 2015
– 8 Corporate Avenue	Retail	31,000	2H 2015
– 2 Corporate Avenue	Retail	11,000	2018
Foshan Lingnan Tiandi			
Lot E	Retail	79,000	2016
Total		452,000	

Construction works of Rui Hong Tiandi Lot 6 were completed in 1H 2014. Pre-leasing commenced with strong response received from the tenants. Pre-leasing of Lot 3 is scheduled to be launched in 2015.

A soft opening in 2H 2015 is the target for HORIZON (Lots A1/A2/A3 shopping mall) at Wuhan Tiandi, with strong responses received from potential tenants including top tier and multi-national retailers. Pre-leasing of the total GFA of 68,000 sq.m. of retail space at Jialing Tiandi in Chongqing made good progress during 1H 2014 for 6, 7 Corporate Avenue and 8 Corporate Avenue. The shopping mall at Lot E in Foshan Lingnan Tiandi is proceeding well, with more information to be made available to potential customers.

Third Party Assets under Management

CXTD provides asset management services for a portfolio of assets held by third parties for a total GFA of 357,000 sq.m..

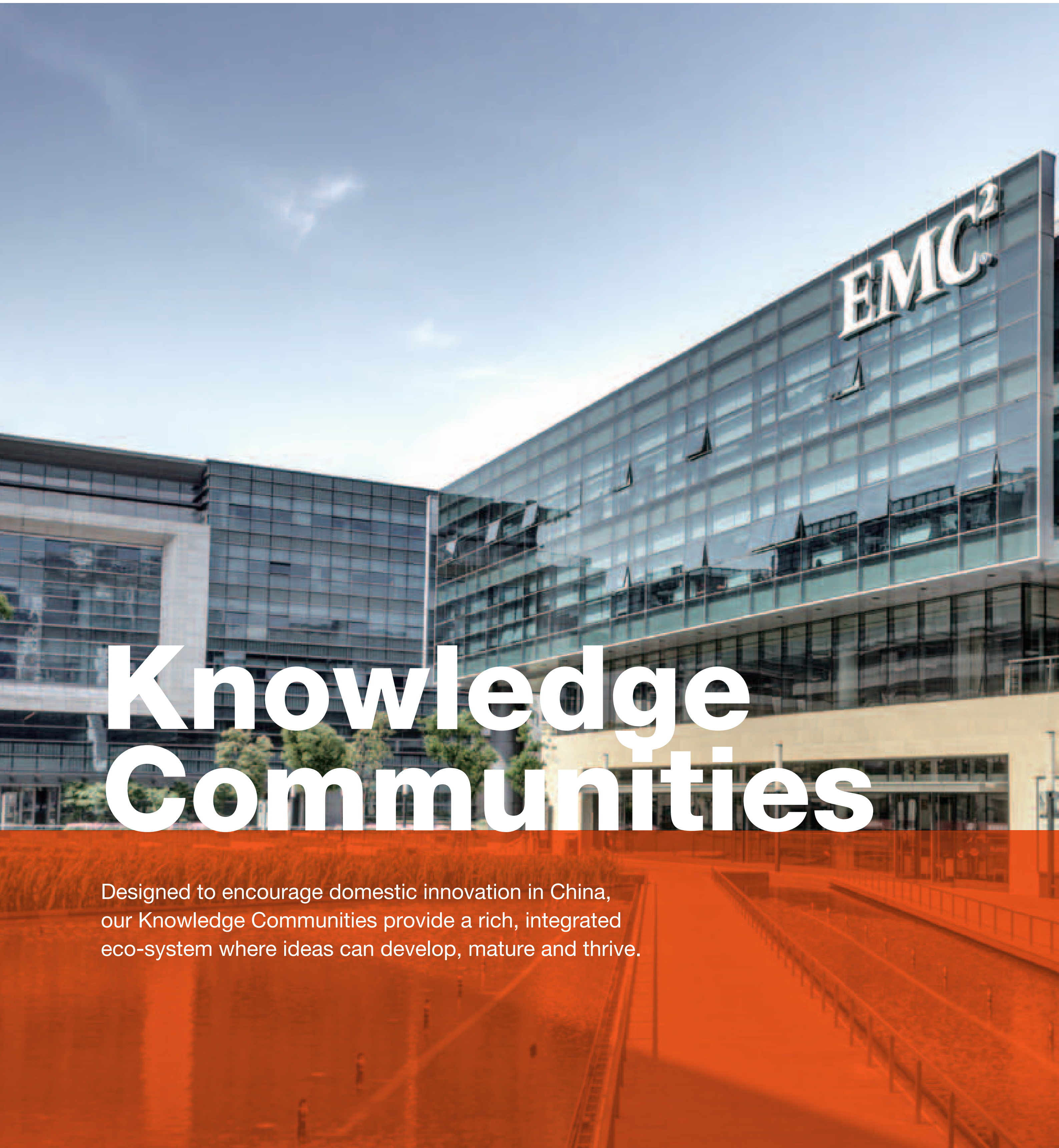
Completed in late 2011, the Corporate Centre 5 office tower in Wuhan Tiandi had achieved a 99% occupancy rate as of 30 June 2014.

In Shanghai, the occupancy rate of 5 Corporate Avenue office tower completed in late 2013, reached 64% as of 30 June 2014. Pre-leasing of the retail podium is to be launched in 2H 2014.

Pre-leasing is currently underway at 3, 4 & 5 Corporate Avenue at Chongqing Tiandi, properties held by certain affiliates of Ping An Group. The office area of 2 Corporate Avenue in Chongqing Tiandi, which was sold to Sunshine Life Insurance, is yet to be delivered.

The Commercial Cluster at Chongqing Tiandi catalyses the economic prosperity of the Western China

Wuhan Tiandi has matured with a mix of commercial, office and residential elements



Knowledge Communities

Designed to encourage domestic innovation in China, our Knowledge Communities provide a rich, integrated eco-system where ideas can develop, mature and thrive.

Business Updates of Knowledge Communities

Rental and related income of Shanghai KIC increased by 14% to RMB104 million compared to RMB91 million in 1H 2013. The increase was mainly due to a higher occupancy rate.

The table below provides an overview of the leasing performance as well as lease expiry analysis of the investment properties in the Knowledge Communities:

Project	Product	Leasable GFA	Occupancy rate as of			Rental & related income RMB'million		Period on period change %	Leases expire in % of GFA		
		sq.m.	30 June 2014	31 December 2013	30 June 2013	1H 2014	1H 2013	1H 2014	2H 2014	2015	2016
Shanghai KIC											
1, 2, 3 and 10 KIC Plaza (Phase 1)	Offices/Retail	50,000	98%	77%	85%	104	91	14%	3%	44%	18%
5 – 9 KIC Plaza (Phase 2)	Offices/Retail	49,000	99%	96%	81%				13%	56%	22%
KIC Village (R1 and R2)	Offices/Retail	24,000	93%	91%	86%				16%	35%	28%
11 – 12 KIC Plaza (C2)	Offices/Retail	38,000	79%	78%	73%				39%	22%	14%
Subtotal		161,000[1]	93%	89%	81%	104	91	14%	17%	32%	24%
Dalian Tiandi (associates)											
Software office buildings (D22)	Office	42,000	78%	78%	75%						
Ambow training school	Office	113,000	100%	100%	100%						
Software office buildings (D14 – SO2/SO4)	Office	52,000	73%	73%	38%						
ITTD (D10)	Retail	41,000	52%	N/A	N/A						
Subtotal		248,000									
Total		409,000									

1 A total of 6,000 sq.m. of leasable GFA at Shanghai KIC was occupied as offices by the Group.

KIC creates an environment to foster entrepreneurship and technology innovation

IT Tiandi at the Huang Ni Chuan Plate of Dalian Tiandi provides a Lohas and creative environment for work, life and leisure

Dalian Tiandi takes full advantage of green technology to create a low-carbon green environment for living and working

Market Outlook

The global economy registered mild improvements in 1H 2014, supported by an upturn of the major advanced economies. Although economic performance in the US was somewhat subdued in the first quarter, the Federal Reserve Board is confident that momentum will strengthen and has proceeded with tapering of its bond purchase programme, targeting to exit quantitative easing before year end. Leading economic indicators suggest that the present growth momentum is sustainable, and a forthcoming US rate hike is anticipated before mid-2015. In China, the pace of economic growth moderated from 7.7% in 2013 to 7.4% in 1H 2014, and is on track to achieve the 7.5% GDP growth target for the year. The government has rolled out a new round of mini-stimulus measures and adopted targeted monetary policy easing to offset the drag from a cyclical correction of the housing market.

After last year's spectacular performance, nationwide residential transaction area declined by 9.4% due to a tightening of bank credit for home purchases in the first seven months of 2014. As a result, unsold inventory rises and worsening market sentiment has led to falling house prices in many cities. In May, the PBOC issued window guidance requesting commercial banks to support mortgage lending for end-user demand. The government has also given the green light for cities to relax home purchase restrictions based on local circumstances. By mid-August, around 35 of the 46 cities subject to the home purchase restriction policy had taken steps to relax property curbs to varying degrees, and some banks have resumed mortgage rate discounts for qualified buyers. These changes should help improve market sentiment in the coming months and thus shorten the period of downturn, eventually leading to a recovery in housing demand.

The outlook for the office market in tier-one cities remained stable, underpinned by China's on-going financial sector reform. According to a JLL survey, financial and professional services firms seeking office expansion and relocation remained strong in Shanghai. Office demand growth from MNCs is moderating, while that from domestic companies registered a steady increase. In the commercial retail sector, the demand for space has been robust, although luxury brands in China are mostly focused on expanding within their existing city locations. The demand for warehousing space has remained strong in line with the rapid development of e-commerce.

Foshan Lingnan Tiandi preserves the traditional architectures and reinvigorates them with modern elements

Shanghai is moving ahead with its ambitious plan to become an international financial and trading centre by 2020. The economy is seen to benefit from the Free Trade Zone (FTZ) pilot policy. A revised 'negative list' issued on 1 July will help to attract talent and more foreign investment into a broader spectrum of tertiary sector activities. The recently announced Shanghai-Hong Kong Stock Connect programme is a new experiment for a two-way opening of China's capital markets, which will boost cross-border stock investment between Shanghai and Hong Kong. The opening of Disneyland in 2015 will stimulate tourism and retail sales, helping to support retail rents in both primary and secondary locations. These developments should energise tertiary sector growth and attract more capital flows into Shanghai.

Chongqing, the principal economic hub of West China, achieved a GDP growth rate of 10.9% in 1H 2014, the fastest growth pace amongst provincial level cities. Under China's New Silk Road Economic Belt Strategy, the economic role of Chongqing has been broadened to encompass international trade with Eurasia, as witnessed by a 41.8% surge in Chongqing's foreign trade during 1H 2014 to RMB267.5 billion. Chongqing is also seen to benefit from China's New Urbanisation drive, which is expected to result in population increase of 1.3 million between now and 2020.

Wuhan's economic growth remained strong at 9.6% in the first half of 2014, driven by its ambitious industrial growth initiatives. Future growth prospects are enhanced by the newly-announced "Yangtze River Golden Waterway" strategy, which will strengthen Wuhan's role as Central China's prominent logistics hub. In addition, the city announced in July a partial lifting of home purchase restrictions, starting with apartments larger than 140 square metres. This policy should help stimulate both investment and upgrader demand, which should lead to stronger residential market sentiment in the second half of 2014.

Foshan, a prominent Pearl River Delta manufacturing base, registered a rise in industrial production of 9.4% in 1H 2014. The city's Purchasing Manager Index reached 51.1% in June, reflecting the prospects of rising external demand in the coming quarters. Going forward, Foshan's economy will be supported by an increase in infrastructure investment to enhance transport connectivity with other Pearl River Delta cities, as well as the development of smart home appliances and e-commerce. Foshan has removed its home purchase restriction policies in August. This should provide a boost to its economy, which is closely tied to the property sector.

As the major port city in China's northeast, Dalian registered strong FDI growth of 10.2% to USD7.05 billion during the first half of 2014. Meanwhile, Dalian's software business revenue grew by 23.9% to RMB73.0 billion. To further improve transportation connectivity, the government plans to invest RMB260 billion to construct a 123-kilometre undersea tunnel across the Bohai Strait to connect Dalian with Yantai in Shandong Province. The advantage of Dalian as a resort location for second homes will thus be further strengthened. The city will be well placed to benefit from the expected lifting of home purchase restriction policies in the second half of 2014.

Although China's economic growth is slowing due to economic restructuring, on-going market-oriented reform will unleash economic dividends to improve city competitiveness, particularly those cities that serve as a regional and economic hub. Following a decade of rapid growth, China's housing market is entering a more mature stage of development. The development pattern going forward will be more divergent and closely tied to individual cities' underlying growth potential. Some cities with a hollow economic base will lose population and experience a slowdown in real estate investment. Those cities that are able to establish a robust economic base and diversify beyond manufacturing to build a strong tertiary sector should create increased employment, attract population inflow and witness land value appreciation. The cities in which Shui On has invested, namely, Shanghai, Chongqing, Wuhan, Foshan and Dalian, are all in a strong position to see rising competitiveness and good opportunities for quality economic growth and development. Going forward, our business development efforts will be focused on cities that attract talent and capital and have excellent potential for growth and value creation.

The traditional stilted architecture is blended in Chongqing Tiandi

Financial Review

Turnover of the Group for the six months ended 30 June 2014 increased by 45% to RMB5,236 million (2013: RMB3,623 million), primarily due to the increase in recognised property sales, rental and related income in 2014.

Property sales for the six months ended 30 June 2014 increased by 53% to RMB4,447 million (2013: RMB2,913 million) as a result of property delivered in the Shanghai Rui Hong Xin Cheng project. Shanghai Rui Hong Xin Cheng property sales and Chongqing property sales accounted for 87% (2013: nil) and 4% (2013: 72%) respectively. The significant increase in property sales is mainly attributable to the delivery of Shanghai Rui Hong Xin Cheng Phase 5 which contributed a higher average selling price, with a GFA consisting of 88,100 sq.m..

Details of property sales during the six months ended 30 June 2014 are contained in the paragraph headed "Property Sales" in the Business Review Section.

Rental and related income from investment properties of the Group rose by 9% to RMB764 million (2013: RMB701 million). The increase was primarily due to the contribution of rental income from Shanghai KIC and THE HUB and income from hotel operations. Rental income of Shanghai KIC increased due to an upswing in the occupancy rate. In addition, completion of the two Showroom offices at THE HUB has started to generate rental income as from the 2nd quarter in 2014. Details of the business performance of investment properties are contained in the sub-sections headed "Business Updates of CXTD Holding" and "Business Updates of Knowledge Communities" in the Business Review Section.

Gross profit for the six months ended 30 June 2014 increased to RMB1,667 million (2013: RMB1,419 million). Gross profit margin declined to 32% (2013: 39%). The decline in gross profit margin in 2014, was attributable to more turnover of the Group resulting from property sales where the gross profit margins were lower than rental and related income. The gross profit margin from property sales decreased to 26% (2013: 34%).

Other income increased by 52% to RMB226 million (2013: RMB149 million) comprising interest income of RMB137 million (2013: RMB106 million) together with the Group's gain of RMB16 million (2013: RMB21 million) from disposal of investment properties and gain of RMB69 million (2013: nil) from disposal of equity interest.

Selling and marketing expenses decreased significantly by 28% to RMB103 million (2013: RMB143 million) mainly due to the decrease in contracted sales achieved by the Group (excluding sales by associates) by 58% to RMB2,613 million (2013: RMB6,167 million).

Corporate Avenue at Shanghai Taipingqiao sets a benchmark for Grade A Offices

THE HUB Performance Centre is designed as a multi-functional platform for a variety of conferences, events and performances

General and administrative expenses increased by 34% to RMB543 million (2013: RMB406 million). The increase was attributable to the expenses incurred for the establishment of the fully integrated asset management platform of CXTD Holding and the costs incurred for the preparation works of its spin-off.

The various factors described above brought about an increase in *operating profit* by 22% to RMB1,247 million (2013: RMB1,019 million).

Increase in fair value of investment properties rose by 11% to RMB1,262 million (2013: RMB1,138 million), of which RMB414 million (2013: RMB327 million) was derived from completed investment properties and RMB848 million (2013: RMB811 million) came from investment properties under construction or development. The paragraph headed "Investment Property Business" in the Business Review Section offers a detailed description of these properties.

Share of results of associates represented a net loss of RMB90 million (2013: net gain of RMB3 million), which mainly included an impairment loss on the properties under development for sale, amounting to RMB67 million (2013: nil) attributable to the Group.

Finance costs, inclusive of exchange difference, amounted to RMB466 million (2013: RMB94 million). Total interest costs increased to RMB1,625 million (2013: RMB1,553 million). Of these interest costs, 85% (2013: 81%) or RMB1,385 million (2013: RMB1,256 million) were capitalised as cost of property development, with the remaining 15% (2013: 19%) interest relating to mortgage loans on completed properties and borrowings for general working capital purposes being expenses. Exchange loss of RMB126 million was due to the depreciation of the RMB against the HKD and the USD in 2014, while the Group recorded an exchange gain of RMB205 million in 2013.

Profit before taxation decreased by 6% to RMB1,939 million (2013: RMB2,066 million), as a result of the various factors outlined above.

Taxation increased by 12% to RMB834 million (2013: RMB743 million). The effective tax rate for 2014 was 33% (2013: 27%), after excluding the land appreciation tax of RMB273 million (2013: RMB247 million) which was assessed based on the appreciation value of sold properties, together with its corresponding enterprise income tax effect of RMB68 million (2013: RMB62 million). The increase in the effective tax rate resulted from the increase in interest and exchange losses from offshore borrowings that are not deductible in the PRC.

Profit attributable to shareholders of the Company for the six months ended 30 June 2014 was RMB797 million, a decrease of 24% when compared to the same period in 2013 (2013: RMB1,051 million).

Core earnings of the Group were as follows:

	Six months ended 30 June		
	2014 RMB'million	2013 RMB'million	Change %
Profit attributable to shareholders of the Company	**797**	1,051	(24%)
Increase in fair value of investment properties	**(1,262)**	(1,138)	
Effect of corresponding deferred tax charges	**308**	279	
Realised fair value gains of investment properties disposed	**30**	109	
Share of results of associates			
Fair value loss (gain) of investment properties	**14**	(20)	
Effect of corresponding deferred tax charges	**(4)**	5	
	(914)	(765)	19%
Non-controlling interests	**123**	38	
Net effect of changes in the valuation of investment properties	**(791)**	(727)	9%
Profit attributable to shareholders of the Company before revaluation of investment properties	**6**	324	
Add:			
Profit attributable to owners of perpetual capital securities	**155**	158	(2%)
Profit attributable to owners of convertible perpetual securities	**92**	–	
Core earnings of the Group	**253**	482	(48%)


Chongqing Tiandi fully reflects the unique local architectural features of mountain buildings

Earnings per share attained RMB0.10, which is calculated based on a weighted average of approximately 8,002 million shares in issue during the six months ended 30 June 2014 (2013: RMB0.15, which is calculated based on a weighted average of approximately 6,973 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 20% of the Company's consolidated profit for the then most recent two 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 so deferred have been paid in full.

Capital Structure, Gearing Ratio and Funding

On 20 May 2013, the Company completed a rights issue by issuing 2,000,431,547 rights shares on the basis of one rights share for every three existing shares, at a subscription price of HKD1.84 per rights share. The rights issue netted proceeds of approximately RMB2,899 million. As at 31 December 2013, the Company has applied all the rights issue net proceeds (i) as to RMB257 million to finance the relocation of Shanghai Taipingqiao and Shanghai RHXC projects and (ii) as to RMB2,642 million to repay indebtedness and for working capital purposes.

On 17 February 2014, the Company and CXTD Holding (a wholly-owned subsidiary of the Company) completed a set of agreements with Brookfield. CXTD Holding issued to Brookfield, convertible perpetual securities in an aggregate principal amount of USD500 million. The Company also issued to Brookfield, 415 million warrants, exercisable for 415 million Company shares at an exercise price of HKD2.85 per Company share (subject to a cap of HKD3.62 on gain per Company share and customary anti-dilution adjustments). The net proceeds was approximately USD480 million, after deducting all related costs and expenses (including professional advisors' fees and the USD5 million closing fee payable to Brookfield). As at the date of this interim report, the Company has applied the net proceeds (i) as to approximately USD99.4 million for repayment of indebtedness; (ii) as to approximately USD80 million to fund capital expenditures related to the Company's real estate development and (iii) as to approximately USD3.8

million for general corporate purposes (including general working capital). The remaining net proceeds will be applied in accordance with the specific use described in a circular issued by the Company dated 30 November 2013.

On 19 February 2014, the Group entered into the China Offshore Renminbi bonds market for the first time and issued RMB2,500 million in 6.875% senior notes with a maturity of three years.

In April 2014, the Group undertook a liability management exercise by offering to exchange and/or purchase for cash the outstanding RMB3,500 million in senior notes due in 2015 and USD875 million in senior notes due in 2015.

This exercise received an overwhelming market response and it is the largest liability management exercise in Asia by a Chinese property developer. Following the completion, a total value of approximately USD840 million in senior notes with four-year maturity and six-year maturity senior notes were issued at 8.7% and 9.75% respectively.

On 3 June 2014, the Group issued another USD550 million in 9.625% senior notes with a maturity of five years.

The aforementioned fund raising exercises were carried out to improve and maintain the Group's high liquidity profile.

The structure of the Group's borrowings as of 30 June 2014 is summarised below:

	Total (in RMB equivalent) RMB'million	Due within one year RMB'million	Due in more than one year but not exceeding two years RMB'million	Due in more than two years but not exceeding five years RMB'million	Due in more than five years RMB'million
Bank and other borrowings – RMB	16,169	1,397	3,965	9,501	1,306
Bank borrowings – HKD	7,096	2,653	2,251	2,192	–
Bank borrowings – USD	2,270	1,095	1,175	–	–
	25,535	5,145	7,391	11,693	1,306
Convertible bonds – RMB	407	–	407	–	–
Senior notes – RMB	3,705	1,187	–	2,518	–
Senior notes – SGD	1,289	1,289	–	–	–
Senior notes – USD	11,187	2,848	–	7,121	1,218
Total	**42,123**	**10,469**	**7,798**	**21,332**	**2,524**

Total cash and bank deposits amounted to RMB12,941 million as of 30 June 2014 (31 December 2013: RMB10,180 million), which included RMB2,590 million (31 December 2013: RMB3,571 million) of deposits pledged to banks and RMB748 million (31 December 2013: RMB1,231 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 30 June 2014, the Group's net debt balance was RMB29,182 million (31 December 2013: RMB24,911 million) and its total equity was RMB45,621 million (31 December 2013: RMB42,174 million). The Group's net gearing ratio was 64% as of 30 June 2014 (31 December 2013: 59%), calculated on the basis of the excess of the sum of convertible bonds, senior notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

Total undrawn banking facilities available to the Group amounted to approximately RMB9,785 million as of 30 June 2014 (31 December 2013: RMB13,930 million).

Pledged Assets

As of 30 June 2014, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable and bank and cash balances totalling RMB59,344 million (31 December 2013: RMB60,785 million) to secure the Group's borrowings of RMB17,887 million (31 December 2013: RMB21,857 million).

Capital and Other Development Related Commitments

As of 30 June 2014, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB11,570 million (31 December 2013: RMB12,219 million).

Future Plans for Material Investments and Sources of Funding

The Group plans to focus on the development of the existing landbank that encompasses prime locations. As appropriate opportunities arise, the Group may evaluate participation in projects of various sizes wherein its competitive strengths provide advantages. The Group may also pursue other prospects, including different ways to acquire land development rights for the purpose of undertaking property development projects or to increase the scale of current operations by leveraging the Group's master planning expertise.

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 convertible bonds and the senior notes issued in 2010 and 2011 were also denominated in RMB. As a result, the coupon payments and the repayment of the principal amounts of the convertible bonds and senior notes issued in 2010 and 2011 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 denominated in SGD and USD issued in 2012 and 2014.

As a result, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. In 2014, the PRC Central Government has relaxed the fluctuation of the RMB within a predefined range to a portfolio of various currencies. Given these circumstances, the Group has entered into various cross currency swaps of RMB against the SGD and the USD.

As of 30 June 2014, the Group held the following cross currency swaps:

a) to hedge against the variability of cash flow arising from the Group's SGD250 million senior notes due on 26 January 2015 ("2015 SGD Notes"). Under these swaps, the Group would receive interest at a fixed rate of 8% per annum and pay interest semi-annually

Greenview Heights of Dalian Tiandi creates a green and livable environment

Wuhan Tiandi (left) and Dalian Tiandi (right) strive to provide a pleasant living and working environment for the local people

at fixed rates ranging from 9.57% to 9.68% per annum, based on the notional amounts of RMB1,269 million in aggregate.

b) to hedge against the variability of cash flow arising from the Group's USD400 million senior notes due on 16 February 2015 ("2015 USD Notes"). Under these swaps, the Group would receive interest at a fixed rate of 9.75% per annum and pay interest semi-annually at fixed rates ranging between 9.2% and 9.78% per annum, based on the notional amounts of approximately RMB2,500 million in aggregate.

c) to hedge against the variability of cash flow arising from the Group's RMB2,000 million senior notes due on 26 February 2017 ("2017 RMB Notes"). Under these swaps, the Group would receive interest at a fixed rate of 6.875% per annum and pay interest semi-annually at a fixed rate of 5.975% per annum, based on the notional amounts of approximately USD328 million in aggregate.

The Group's exposure to interest rate risk results from fluctuations in interest rates. Most of the Group's bank and other 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.

At 30 June 2014, the Group had various outstanding loans that bear variable interest linked to Hong Kong Inter-bank Borrowing Rates ("HIBOR"), London Inter-bank Borrowing Rates ("LIBOR") and the People's Bank of China ("PBOC") Prescribed Interest Rate. The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interests at variable rates at HIBOR and pay interests at fixed rates ranging from 0.53% to 0.64%; receive interests at variable rates at LIBOR and pay interests at fixed rates ranging from 0.54% to 0.71% and receive interests ranging from 115% to 125% of the PBOC Prescribed Interest Rate and pay interests at a fixed rate of 7.52% and 7.85%, based on the notional amounts of HKD2,377 million, USD305 million and RMB656 million, in aggregate.

Save as disclosed above, as of 30 June 2014, the Group did not hold any other derivative financial instruments that were linked to exchange rates or interest rates. The Group continues to monitor closely its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if necessary.

INDEPENDENT REVIEW REPORT

Deloitte.
德勤

To the Board of Directors of Shui On Land Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Shui On Land Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 67, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 RMB'million (Unaudited)	Six months ended 30 June 2013 RMB'million (Unaudited)
Turnover			
– The Company and its subsidiaries ("the Group")		5,236	3,623
– Share of associates		218	143
		5,454	3,766
Turnover of the Group	3	5,236	3,623
Cost of sales		(3,569)	(2,204)
Gross profit		1,667	1,419
Other income		226	149
Selling and marketing expenses		(103)	(143)
General and administrative expenses		(543)	(406)
Operating profit	4	1,247	1,019
Increase in fair value of investment properties	9	1,262	1,138
Share of results of associates		(90)	3
Finance costs, inclusive of exchange differences	5	(466)	(94)
Change in fair value of derivative financial instruments	18,15	(14)	–
Profit before taxation		1,939	2,066
Taxation	6	(834)	(743)
Profit for the period		1,105	1,323
Attributable to:			
Shareholders of the Company		797	1,051
Owners of convertible perpetual securities		92	–
Owners of perpetual capital securities		155	158
Other non-controlling shareholders of subsidiaries		61	114
		308	272
		1,105	1,323
Earnings per share	8		
– Basic		RMB0.10	RMB0.15
– Diluted		RMB0.10	RMB0.14

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 RMB'million (Unaudited)	2013 RMB'million (Unaudited)
Profit for the period		**1,105**	1,323
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(7)**	(7)
Fair value adjustments on interest rate swaps designated as cash flow hedges	18	**(3)**	18
Fair value adjustments on cross currency swaps designated as cash flow hedges	18	**26**	(54)
Reclassification from hedge reserve to profit or loss	18	**(40)**	60
		(24)	17
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations		**–**	(45)
Other comprehensive expense for the period		**(24)**	(28)
Total comprehensive income for the period		**1,081**	1,295
Total comprehensive income attributable to:			
Shareholders of the Company		**773**	1,023
Owners of convertible perpetual securities		**92**	–
Owners of perpetual capital securities		**155**	158
Other non-controlling shareholders of subsidiaries		**61**	114
		308	272
		1,081	1,295

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2014

	Notes	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Non-current assets			
Investment properties	9	52,443	50,273
Property, plant and equipment		3,539	3,577
Prepaid lease payments		491	586
Interests in associates	10	996	1,086
Interests in joint ventures	12	25	25
Loans to associates	10	1,795	1,654
Loan to a joint venture	12	695	675
Amounts due from associates	10	261	–
Accounts receivable	11	119	171
Pledged bank deposits		2,046	2,747
Deferred tax assets		120	100
		62,530	60,894
Current assets			
Properties under development for sale		20,047	22,711
Properties held for sale		3,359	1,536
Accounts receivable, deposits and prepayments	11	7,675	5,066
Amounts due from associates	10	601	564
Amounts due from related companies		461	347
Amounts due from non-controlling shareholders of subsidiaries		38	51
Pledged bank deposits		544	824
Restricted bank deposits		748	1,231
Bank balances and cash		9,603	5,378
		43,076	37,708
Investment properties classified as held for sale	13	2,111	–
		45,187	37,708
Current liabilities			
Accounts payable, deposits received and accrued charges	14	7,725	11,046
Amounts due to related companies		569	411
Amounts due to non-controlling shareholders of subsidiaries		704	634
Tax liabilities		916	823
Bank and other borrowings – due within one year		5,145	6,315
Senior notes	16	5,324	–
Derivative financial instruments	18	181	–
Deposits received relating to the disposal of investment properties	13	1,447	–
		22,011	19,229
Net current assets		23,176	18,479
Total assets less current liabilities		85,706	79,373

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2014

	Notes	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Capital and reserves			
Share capital	17	**145**	145
Reserves		**36,531**	36,010
Equity attributable to shareholders of the Company		**36,676**	36,155
Convertible perpetual securities	15	**2,894**	–
Perpetual capital securities		**3,051**	3,094
Other non-controlling shareholders of subsidiaries		**3,000**	2,925
		8,945	6,019
Total equity		**45,621**	42,174
Non-current liabilities			
Bank and other borrowings – due after one year		**20,390**	18,051
Convertible bonds		**407**	395
Senior notes	16	**10,857**	10,330
Derivative financial instruments	18, 15	**44**	105
Loans from non-controlling shareholders of subsidiaries		**2,638**	2,605
Deferred tax liabilities		**5,698**	5,662
Defined benefit liabilities		**51**	51
		40,085	37,199
Total equity and non-current liabilities		**85,706**	79,373

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to shareholders of the Company																
	Share capital	Share premium	Merger reserve	Special reserve	Share option reserve	Exchange reserve	Convertible bond equity reserve	Hedge reserve	Other reserves	Property revaluation reserves	Retained earnings	Sub-total	Convertible perpetual securities	Perpetual capital securities	Other non-controlling shareholders of subsidiaries	Sub-total	Total
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
At 1 January 2014 (audited)	145	18,020	122	(135)	199	(46)	96	(32)	619	31	17,136	36,155	–	3,094	2,925	6,019	42,174
Profit for the period	–	–	–	–	–	–	–	–	–	–	797	797	92	155	61	308	1,105
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(7)	–	–	–	–	–	(7)	–	–	–	–	(7)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 18)	–	–	–	–	–	–	–	(3)	–	–	–	(3)	–	–	–	–	(3)
Reclassification from hedge reserve to profit or loss (note 18)	–	–	–	–	–	–	–	(40)	–	–	–	(40)	–	–	–	–	(40)
Fair value adjustments on cross currency swaps designated as cash flow hedges (note 18)	–	–	–	–	–	–	–	26	–	–	–	26	–	–	–	–	26
Total comprehensive income for the period	–	–	–	–	–	(7)	–	(17)	–	–	797	773	92	155	61	308	1,081
Recognition of equity-settled share-based payment expenses	–	–	–	–	3	–	–	–	–	–	–	3	–	–	–	–	3
Issue of convertible perpetual securities (note 15)	–	–	–	–	–	–	–	–	–	–	–	–	2,896	–	–	2,896	2,896
Expenditure incurred on issue of convertible perpetual securities (note 15)	–	–	–	–	–	–	–	–	–	–	–	–	(94)	–	–	(94)	(94)
Distribution to owners of perpetual capital securities, including consent fee of RMB42 million paid to holders of perpetual capital securities relating to the issue of the convertible perpetual securities	–	–	–	–	–	–	–	–	–	–	–	–	–	(198)	–	(198)	(198)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(21)	(21)	(21)
Capital injection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	35	35	35
2013 final dividend of HK$0.04 per share paid	–	–	–	–	–	–	–	–	–	–	(255)	(255)	–	–	–	–	(255)
At 30 June 2014 (unaudited)	145	18,020	122	(135)	202	(53)	96	(49)	619	31	17,678	36,676	2,894	3,051	3,000	8,945	45,621
At 1 January 2013 (audited)	114	15,152	122	(135)	188	(32)	605	(23)	587	–	14,903	31,481	–	3,093	2,694	5,787	37,268
Profit for the period	–	–	–	–	–	–	–	–	–	–	1,051	1,051	–	158	114	272	1,323
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(7)	–	–	–	–	–	(7)	–	–	–	–	(7)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 18)	–	–	–	–	–	–	–	18	–	–	–	18	–	–	–	–	18
Reclassification from hedge reserve to profit or loss (note 18)	–	–	–	–	–	–	–	60	–	–	–	60	–	–	–	–	60
Fair value adjustments on cross currency swaps designated as cash flow hedges (note 18)	–	–	–	–	–	–	–	(54)	–	–	–	(54)	–	–	–	–	(54)
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	–	–	–	(45)	(45)	–	–	–	–	(45)
Total comprehensive income for the period	–	–	–	–	–	(7)	–	24	–	–	1,006	1,023	–	158	114	272	1,295
Recognition of equity-settled share-based payment expenses	–	–	–	–	6	–	–	–	–	–	–	6	–	–	–	–	6
Issue of new shares under rights issue	31	2,906	–	–	–	–	–	–	–	–	–	2,937	–	–	–	–	2,937
Share issue expenses	–	(38)	–	–	–	–	–	–	–	–	–	(38)	–	–	–	–	(38)
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	(157)	–	(157)	(157)
Capital injection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	16	16	16
Acquisition of additional interests in subsidiaries (note 20(c))	–	–	–	–	–	–	–	–	(52)	–	–	(52)	–	–	(125)	(125)	(177)
Partial disposal of equity interests in subsidiaries (note 20(d))	–	–	–	–	–	–	–	–	84	–	–	84	–	–	9	9	93
2012 final dividend of HK$0.035 per share paid	–	–	–	–	–	–	–	–	–	–	(223)	(223)	–	–	–	–	(223)
At 30 June 2013 (unaudited)	145	18,020	122	(135)	194	(39)	605	1	619	–	15,686	35,218	–	3,094	2,708	5,802	41,020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 RMB'million (Unaudited)	2013 RMB'million (Unaudited)
Net cash (used in) from operating activities			
Increase in properties under development for sale		(2,074)	(1,653)
Decrease in properties held for sale		3,379	1,807
(Increase) decrease in accounts receivable, deposits and prepayments		(2,563)	262
(Decrease) increase in accounts payable, deposits received and accrued charges		(3,068)	2,597
Other operating cash flows		797	(749)
		(3,529)	2,264
Net cash from (used in) investing activities			
Additions to investment properties		(1,778)	(1,702)
Proceeds from disposal of investment properties		81	275
Deposits received relating to the disposal of investment properties	13	1,206	–
Withdrawal of pledged bank deposits		2,141	1,054
Placement of pledged bank deposits		(1,160)	(2,588)
Placement of restricted bank deposits		(100)	–
Advances to associates		(392)	–
Investment in a joint venture		–	(25)
Advance to a joint venture		(20)	(265)
Net cash inflow from disposals of subsidiaries	20(a)&(b)	84	–
Other investing cash flows		36	2
		98	(3,249)
Net cash from financing activities			
Advance from non-controlling shareholders of subsidiaries		140	366
Capital injected by non-controlling shareholders of subsidiaries		35	16
Cash outflow from acquisition of additional interests in subsidiaries	20(c)	–	(177)
New bank and other loans raised		7,568	5,228
Repayment of bank and other loans		(6,558)	(3,697)
Issue of convertible perpetual securities	15	2,896	–
Expenditure incurred on issue of convertible perpetual securities	15	(94)	–
Issue of senior notes	16	7,528	–
Expenditure incurred on issue of senior notes	16	(464)	–
Repayment of senior notes	16	(1,350)	–
Issue of new shares under rights issue		–	2,937
Share issue expenses		–	(38)
Interest paid		(1,615)	(1,371)
Payment of dividends		(255)	(223)
Distribution to owners of perpetual capital securities		(198)	(157)
Dividend paid to non-controlling shareholders of subsidiaries		(21)	–
		7,612	2,884
Net increase in cash and cash equivalents		4,181	1,899
Cash and cash equivalents at the beginning of the period		5,378	6,287
Effect of foreign exchange rate changes		44	(89)
Cash and cash equivalents at the end of the period		9,603	8,097
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		9,603	8,097

1. General

The condensed consolidated financial statements for the six months ended 30 June 2014 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" ("IAS 34").

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except for the newly adopted accounting policies as described below:

Non-current assets held for sale

As mentioned in note 13 to the condensed consolidated financial statements, certain of the Group's investment properties are classified as assets held for sale as at 30 June 2014.

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition and it is highly probable that the sale will be completed within one year from the date when the asset is reclassified as held for sale.

Investment properties that are classified as held for sale are measured using the fair value model in accordance with IAS 40 "Investment Property".

Application of new Interpretation and amendments to International Financial Reporting Standards

In addition, in the current reporting period, the Group has applied, for the first time, the following new Interpretation and amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for annual periods beginning on 1 January 2014:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

3. Turnover and Segmental Information

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

	Six months ended 30 June (Unaudited)					
	2014			2013		
	Group RMB'million	Share of associates RMB'million	Total RMB'million	Group RMB'million	Share of associates RMB'million	Total RMB'million
Property development:						
Property sales	4,447	202	4,649	2,913	128	3,041
Property investment:						
Rental income received from investment properties	561	16	577	518	15	533
Income from hotel operations	150	–	150	133	–	133
Property management fee income	13	–	13	14	–	14
Rental related income	40	–	40	36	–	36
	764	16	780	701	15	716
Others	25	–	25	9	–	9
Total	5,236	218	5,454	3,623	143	3,766

For management purposes, the Group is organised based on its business activities, which are broadly categorised into property development and property investment.

Principal activities of the two major reportable and operating segments are as follows:

Property development – development and sale of properties, mainly residential units
Property investment – offices and retail shops letting, property management and hotel operations

3. Turnover and Segmental Information (Continued)

	Six months ended 30 June 2014 (Unaudited)			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue				
Turnover of the Group	4,447	764	25	5,236
Share of turnover of associates	202	16	–	218
Total segment revenue	4,649	780	25	5,454
Results				
Segment results of the Group	972	1,554	19	2,545
Interest income				137
Share of results of associates				(90)
Finance costs, inclusive of exchange differences				(466)
Change in fair value of derivative financial instruments				(14)
Gain on disposal of subsidiaries				69
Net unallocated expenses				(242)
Profit before taxation				1,939
Taxation				(834)
Profit for the period				1,105

3. Turnover and Segmental Information (Continued)

	Six months ended 30 June 2013 (Unaudited)			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue				
Turnover of the Group	2,913	701	9	3,623
Share of turnover of associates	128	15	–	143
Total segment revenue	3,041	716	9	3,766
Results				
Segment results of the Group	746	1,459	(1)	2,204
Interest income				106
Share of results of associates				3
Finance costs, inclusive of exchange differences				(94)
Net unallocated expenses				(153)
Profit before taxation				2,066
Taxation				(743)
Profit for the period				1,323

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

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, Directors' salaries, interest income, gain on disposal of subsidiaries, share of results of associates, change in fair value of derivative financial instruments, finance costs and 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.

4. Operating Profit

	Six months ended 30 June	
	2014 RMB'million (Unaudited)	2013 RMB'million (Unaudited)
Operating profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**92**	93
Less: Amount capitalised to properties under development for sale	**–**	(1)
	92	92
Release of prepaid lease payments	**1**	7
Less: Amount capitalised to property, plant and equipment	**–**	(6)
	1	1
Employee benefit expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and allowances	**19**	11
Retirement benefit costs	**–**	1
Share-based payment expenses	**1**	1
	21	14
Other staff costs		
Salaries, bonuses and allowances	**323**	251
Retirement benefit costs	**19**	18
Share-based payment expenses	**2**	5
	344	274
Total employee benefit expenses	**365**	288
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(94)**	(83)
	271	205
Cost of properties sold recognised as an expense	**3,265**	1,922
Rental charges under operating leases	**18**	22
Gain on disposal of subsidiaries (included in other income)	**(69)**	–
Gain on disposal of investment properties (included in other income)	**(16)**	(21)
Interest income	**(137)**	(106)

5. Finance Costs, Inclusive of Exchange Differences

	Six months ended 30 June	
	2014 RMB'million (Unaudited)	2013 RMB'million (Unaudited)
Interest on bank and other borrowings		
– wholly repayable within five years	**809**	583
– not wholly repayable within five years	**63**	66
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years	**70**	72
Imputed interest on loans from non-controlling shareholders of subsidiaries	**22**	11
Interest on amount due to a related company (note 23)	**–**	1
Interest on convertible bonds	**21**	217
Interest on senior notes	**610**	582
Net interest expense from cross currency swaps designated as cash flow hedges	**27**	11
Net interest expense from interest rate swaps designated as cash flow hedges	**3**	10
Total interest costs	**1,625**	1,553
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(1,385)**	(1,256)
Interest expense charged to condensed consolidated statement of profit or loss	**240**	297
Net exchange loss (gain) on bank borrowings and other financing activities	**126**	(205)
Premium for repurchase/exchange of RMB denominated senior notes due in 2015 (note 16)	**58**	–
Others	**42**	2
	466	94

Borrowing costs capitalised during the six months ended 30 June 2014 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 9.1% (for the six months ended 30 June 2013: approximately 8.1%) per annum to expenditure on the qualifying assets.

6. Taxation

	Six months ended 30 June	
	2014 RMB'million (Unaudited)	2013 RMB'million (Unaudited)
The People's Republic of China ("PRC") Enterprise Income Tax	**418**	162
Deferred taxation	**143**	334
PRC Land Appreciation Tax	**273**	247
	834	743

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 2013: 25%) on the assessable profits of the companies in the Group during the period.

The provision for Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. 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.

7. Dividends

	Six months ended 30 June	
	2014	2013
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
2013 Final dividend declared and paid (2013: 2012 final dividend declared and paid)	**255**	223
Interim dividend declared in respect of 2014 of HK$0.022 (2013: HK$0.022) per share	**140**	140

Subsequent to the end of the interim period, the Board has declared the payment of HK$0.022 (equivalent to RMB0.017) per share, amounting to HK$176 million (equivalent to RMB140 million) in aggregate as the interim dividend with respect to 2014.

A final dividend with respect to 2013 of HK$0.04 (equivalent to RMB0.03) per share, amounting to HK$320 million (equivalent to RMB255 million) in aggregate, was approved by the shareholders of the Company at the annual general meeting on 28 May 2014 and was paid to the shareholders of the Company in June 2014.

In September 2013, an interim dividend with respect to 2013 of HK$0.022 (equivalent to RMB0.017) per share, amounting to HK$176 million (equivalent to RMB140 million) in aggregate was paid to the shareholders of the Company.

8. 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	
	2014	2013
	RMB'million	RMB'million
Earnings	**(Unaudited)**	(Unaudited)
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the period attributable to shareholders of the Company	**797**	1,051

	Six months ended 30 June	
	2014	2013
	'million	'million
Number of shares	**(Unaudited)**	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,002**	6,973
Effect of dilutive potential shares:		
Convertible bonds	**130**	794
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,132**	7,767

There were no dilution effects for share options and warrants granted as the exercise prices of these share options and warrants granted were higher than the average market price for the six months ended 30 June 2014 and 30 June 2013. The convertible perpetual securities did not have dilutive effect on the Group's earnings per share for the current reporting period.

9. Investment Properties

	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	28,033	29,191
Investment properties under construction or development,		
stated at fair value	12,476	10,574
stated at cost	11,934	10,508
	24,410	21,082
	52,443	50,273

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

	Completed investment properties at fair value RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Total RMB'million
At 1 January 2014 (audited)	29,191	10,574	10,508	50,273
Additions	8	1,353	1,656	3,017
Transfers upon completion	596	(596)	–	–
Eliminated upon disposal	(65)	–	–	(65)
Transfers	–	202	(202)	–
Transfer to properties held for sale	–	–	(28)	(28)
Reclassified to investment properties classified as held for sale	(2,111)	–	–	(2,111)
Increase in fair value recognised in the condensed consolidated statement of profit or loss	414	848	–	1,262
Others	–	95	–	95
At 30 June 2014 (unaudited)	28,033	12,476	11,934	52,443
At 1 January 2013 (audited)	22,089	14,746	9,789	46,624
Additions	–	1,868	487	2,355
Transfers upon completion	3,138	(3,138)	–	–
Eliminated upon disposal	(254)	–	–	(254)
Transfers from property, plant and equipment	6	–	–	6
Increase in fair value recognised in the condensed consolidated statement of profit or loss	327	811	–	1,138
At 30 June 2013 (unaudited)	25,306	14,287	10,276	49,869

9. Investment Properties (Continued)

The investment properties are all situated in the PRC and held under long term leases of RMB7,115 million (31 December 2013: RMB6,588 million) and medium term leases of RMB45,328 million (31 December 2013: RMB43,685 million). All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

In circumstances where the fair value of an investment property under construction or development is not reliably determinable, such investment properties under construction or development are measured at cost less impairment, if any, until its fair value becomes reliably determinable upon finalisation of the development plan, at which stage the attributable land and relocation cost and construction costs can be reliably determined.

The fair values of the Group's investment properties at 30 June 2014 and 31 December 2013 and at dates of transfer upon completion of development of investment properties under construction or development have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

For completed investment properties, the valuations have been arrived at using direct comparison method and capitalisation of net income method, where appropriate. In the valuation using capitalisation of net income method, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

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

10. Interests in Associates/Loans to Associates/Amounts Due from Associates

	Notes	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Cost of investments, unlisted		482	482
Share of post-acquisition profits		514	604
		996	1,086
Loans to associates			
– Interest free	(a)	772	743
– Interest bearing ranging from 5% to 6.77% (2013: 5% to 6.15%) per annum	(b)	1,023	911
		1,795	1,654
Amounts due from associates – non-current	(c)	261	–
Amounts due from associates – current	(c)	601	564

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast Group Limited ("Richcoast"), an associate of the Group, for financing the development and operation of the Dalian Tiandi project in Dalian, the PRC. Pursuant to the joint venture agreement dated 25 May 2007, entered into among Innovate Zone Group Limited, an indirect subsidiary of the Company, Main Zone Group Limited, a direct wholly-owned subsidiary of SOCAM Development Limited ("SOCAM", an associate of Shui On Company Limited "SOCL", the ultimate holding company of the Company) and Many Gain International Limited ("Many Gain", an independent third party), the loans are unsecured, interest free and with no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rates of 7.29% (31 December 2013: 7.29%) per annum.

(b) These loans to associates, represent the loans to subsidiaries of Richcoast, are unsecured, interest bearing ranging from 5% to 6.77% (31 December 2013: 5% to 6.15%) per annum and with no fixed terms of repayment.

(c) The amounts due from associates are unsecured, interest free and repayable on demand, except for an amount of RMB518 million (31 December 2013: RMB310 million), which carries interest at 6.6% (31 December 2013: 6.6%) per annum. As at 30 June 2014, an amount of RMB261 million (31 December 2013: nil) is classified as non-current asset as the Directors of the Company expect that such amount will not be repayable within twelve months from the end of the reporting period.

11. Accounts Receivable, Deposits and Prepayments

	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	89	96
Trade receivables	30	75
	119	171
Current accounts receivable comprise:		
Trade receivables	347	561
Prepayments of relocation costs (note)	6,719	3,677
Other deposits, prepayments and receivables	609	828
	7,675	5,066

Note:

The balance represents the amounts that will be capitalised to properties under development for sale as soon as the relocation has been completed, and such relocation process is in accordance with the Group's normal operating cycle. The balance is not expected to be realised within twelve months from the end of the reporting period.

11. Accounts Receivable, Deposits and Prepayments (Continued)

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB377 million (31 December 2013: RMB636 million), of which 91% (31 December 2013: 67%) are aged less than 90 days, and 9% (31 December 2013: 33%) are aged over 180 days, based on the dates on which revenue was recognised.

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; and

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

12. Interests in Joint Ventures/Loan to a Joint Venture

	Notes	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Cost of investments, unlisted		25	25
Share of post-acquisition results		–	–
		25	25
Loan to a joint venture	(a)	695	675
Amount due from a joint venture	(b)	11	11
Less: Allowance		(11)	(11)
		–	–

Notes:

(a) The loan to a joint venture is unsecured, carries interest at the People's Bank of China ("PBOC") Prescribed Interest Rate per annum and repayable by instalments which falls due from the year 2015 to 2018.

(b) The amount due from a joint venture is unsecured, interest free and repayable on demand.

13. Investment Properties Classified as Held for Sale/Deposits Received Relating to the Disposal of Investment Properties

In November 2013, a subsidiary of the Company entered into an agreement with an independent third party for the disposal of certain investment properties with the aggregate carrying amount of RMB2,111 million for a cash consideration of approximately RMB2,412 million. In the current reporting period, the Directors of the Company assessed whether the held-for-sale criteria set out in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are met. Taking into account (a) the fact that the subject properties are immediately available for sale and (b) the conditions to be met to complete the disposal as set out in the terms of the relevant agreement, the Directors of the Company believe that it is highly probable that the disposal will be completed within 12 months from the date when the assets are classified as held for sale. As at 30 June 2014, an aggregate amount of consideration of RMB1,447 million had been received by the Group in accordance with the instalments set out in the agreement (of which RMB1,206 million was received in the current reporting period) and were disclosed as 'deposits received relating to the disposal of investment properties' in the Group's condensed consolidated statement of financial position. No further consideration has been received after the end of the current reporting period.

14. Accounts Payable, Deposits Received and Accrued Charges

	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Trade payables with aging analysis (based on invoice date):		
0 – 30 days	2,306	2,634
31 – 60 days	8	659
61 – 90 days	64	35
Over 90 days	209	138
	2,587	3,466
Retention payables (note)	531	458
Deed tax, business tax and other tax payables	183	355
Deposits received and receipt in advance from property sales	3,401	5,805
Deposits received and receipt in advance in respect of rental of investment properties	451	396
Accrued charges	572	566
	7,725	11,046

Note:

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

15. Convertible Perpetual Securities and Warrants

In October 2013, the Company and China Xintiandi Holding Company Limited ("China Xintiandi", a wholly-owned subsidiary of the Company) entered into a set of agreements with an independent third party (the "Investor"), pursuant to which the Investor conditionally agreed to subscribe for the following for United States Dollars ("US$") 495 million (net of closing fee to the Investor of US$5 million):

- convertible perpetual securities issued by China Xintiandi with the aggregate principal amount of US$500 million; and
- 415 million warrants issued by the Company.

The transaction was completed on 17 February 2014 ("closing date"). The principal terms of the convertible perpetual securities and warrants were disclosed in a circular issued by the Company dated 30 November 2013.

The convertible perpetual securities are recognised as equity instruments of a subsidiary in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the convertible perpetual securities.

The warrants are classified as derivative liabilities and measured at fair value at initial recognition and at subsequent reporting dates.

On the initial recognition of the convertible perpetual securities and warrants, the aggregate consideration of US$495 million (equivalent to RMB3,025 million) were allocated to the convertible perpetual securities and warrants taking into account the fair value of warrants of US$21 million (equivalent to RMB129 million) at initial recognition with the residual of US$474 million (equivalent to RMB2,896 million) being allocated to the convertible perpetual securities. Transaction costs of RMB94 million and RMB4 million respectively have been allocated to convertible perpetual securities and warrants. Transaction costs allocated to the convertible perpetual securities are recognised in equity whereas transaction costs allocated to the warrants are recognised as expenses when they are incurred.

15. Convertible Perpetual Securities and Warrants (Continued)

Key terms of the convertible perpetual securities

The convertible perpetual securities constitute direct, unsecured, unconditional and subordinated obligations of China Xintiandi and rank pari passu without preference or priority among themselves. The convertible perpetual securities were issued in registered form in denominations of principal amount of US$100,000 each and integral multiples thereof.

The convertible perpetual securities do not have any maturity date.

China Xintiandi has the option to pay distributions from and including the issue date (i.e. 17 February 2014), semi-annually in arrears on each distribution payment date in cash at the following distribution rate:

- in respect of the period from, and including the issue date to, but excluding 17 February 2019, 8.3 per cent per annum;
- in respect of the period from, and including 17 February 2019, 20 per cent per annum.

If China Xintiandi elects not to pay a distribution or does not pay a distribution on two separate distribution payment dates, China Xintiandi shall not, for as long as any convertible perpetual securities are outstanding, declare or pay in cash or in kind any dividend distribution or make any other payment on, and shall procure that, no dividend, distribution or other payment is made on, any of its junior securities or parity obligations, or redeem, reduce, cancel or buy-back or acquire for any consideration any of its junior securities, or parity obligations, unless and until it is permitted to do so by written consent of the holders of the majority of the convertible perpetual securities then outstanding.

The convertible perpetual securities may be converted into ordinary shares of China Xintiandi at any time at the option of the holders at an initial conversion price of approximately US$2,283 subject to certain anti-dilutive adjustments. The convertible perpetual securities will convert automatically into ordinary shares of China Xintiandi upon a qualified IPO or a listing approved by the holders ("China Xintiandi Listing") at the same pre-determined conversion price. If China Xintiandi completes a listing of China Xintiandi that is not a China Xintiandi Listing, the convertible perpetual securities will remain outstanding after such listing of China Xintiandi.

The convertible perpetual securities may be redeemed at China Xintiandi's option beginning on the fifth anniversary of the closing date by (i) paying to the holders the Applicable Redemption Price of such outstanding convertible perpetual securities to be redeemed; or (ii) if no China Xindianti Listing has occurred by the time of such redemption, procuring the issue by the Company a certain number of ordinary shares of the Company which has a value equal to the Applicable Redemption Price for the convertible perpetual securities to be redeemed. The Applicable Redemption Price is defined as the principal amount of any convertible perpetual securities being redeemed adjusted for deferral of distributions to the holders of the convertible perpetual securities.

China Xintiandi has the right to redeem the convertible perpetual securities at their Applicable Redemption Price if it becomes liable to pay additional tax amounts in respect of such convertible perpetual securities, subject to certain circumstances.

For so long as a holder holds convertible perpetual securities representing 10% of the ordinary shares of China Xintiandi on a fully diluted basis, upon the occurrence of a Change of Control Event (which happens when either: (i) Mr. Vincent Lo, his family and his and their affiliated trusts and companies (the Permitted Party) cease to control, either directly or indirectly through one or more subsidiaries, more than 30 per cent of the total voting power of the Company; (ii) any person or persons other than the Permitted Party acquires more voting rights of the issued share capital of the Company than the Permitted Party; or (iii) any person or persons other than the Permitted Party acquires more voting rights of the issued share capital of China Xintiandi than the Permitted Party), the Investor may request the Company to redeem all the convertible perpetual Securities it holds. Upon such redemption request, China Xintiandi may elect to either: (i) redeem the convertible perpetual securities at the Applicable Redemption Price (see the definition above); or (ii) leave the convertible perpetual securities outstanding, in which case the applicable distribution rate (please see above) will increase by 4%. The Applicable Redemption Price is set out in an agreed predetermined schedule attached to the agreements that reflect distribution deferral, if any.

15. Convertible Perpetual Securities and Warrants (Continued)

Key terms of the convertible perpetual securities (Continued)

In addition, as part of the agreements, the Investor has been given a right to exchange the convertible perpetual securities for a certain number of ordinary shares of the Company at any time during a certain period of time starting from and including the third anniversary of the issue date, or when there is a Change of Control Event at an initial exchange price of HK$3.25 subject to certain anti-dilutive adjustments. The Company then has a right to exchange the convertible perpetual securities by:

a) paying to the Investor a cash redemption premium of an amount (in US dollars) equal to 0.7% per annum on the aggregate principal amount of the convertible perpetual securities being exchanged; and

b) at the Company's election, either (i) paying to the Investor the Applicable Redemption Amount of such convertible perpetual securities (in US dollars) in cash; or (ii) exchanging the convertible perpetual securities at the above-mentioned predetermined exchange price.

Up to the date of the authorisation of the Group's interim condensed consolidated financial statements for six months ended 30 June 2014, no convertible perpetual securities have been converted into ordinary shares of China Xintiandi or of the Company nor have been redeemed.

Any distributions made by China Xintiandi to the Investor will be recognised in equity. The Group had not elected to defer distribution payments for the semi-annual period ended 16 August 2014, and such distribution had been fully settled as of the date of authorisation of the Group's interim condensed consolidated financial statements.

Key terms of the warrants

The 415 million warrants are exercisable for 415 million ordinary shares of the Company from the closing date until the third anniversary of the closing date at an exercise price of HK$2.85 per ordinary share subject to certain anti-dilutive adjustments. Upon exercise of the warrants, to the extent that the-then market value of each ordinary share of the Company exceeds the exercise price of the warrant by HK$3.62, the number of ordinary shares to be issued will be reduced such that the gain to be received by the holder of the warrant will be capped at HK$3.62 per warrant.

Upon exercise of any warrant by a warrantholder, the Company, as the issuer, may, at its sole discretion, settle its obligations with respect of the warrants in one of the following manners:

- deliver a certain number of ordinary shares of the Company to the warrantholders based on the above-mentioned exercise price with the HK$3.62 cap mechanism;
- deliver a certain number of ordinary shares of the Company to the warrantholders with an aggregate value (calculated based on the market price of ordinary shares of the Company at the time of exercise) equal to the difference between (i) the aggregate value (calculated based on the market price of the ordinary shares of the Company at the time of exercise) of the ordinary shares underlying the warrants being exercised (taking into account the above-mentioned HK$3.62 cap mechanism) and (ii) the aggregate amount of the exercise price to be paid for the warrants being exercised; or
- deliver cash to the warrantholders equal to the difference between (i) the aggregate value (calculated based on the market price of the ordinary shares of the Company at the time of exercise) of the ordinary shares underlying the warrants being exercised (taking into account the above-mentioned HK$3.62 cap mechanism) and (ii) the aggregate amount of the exercise price to be paid for the warrants being exercised.

Up to the date of the authorisation of the Group's condensed consolidated financial statements for six months ended 30 June 2014, no warrants have been exercised.

15. Convertible Perpetual Securities and Warrants (Continued)

Key terms of the warrants (Continued)

The warrants issued by the Company are measured at fair value at initial recognition. At the end of each reporting date, the warrants are measured at fair value, with changes in fair value being recognised in profit or loss. The movements of the fair value of the derivative liabilities represented by warrants during the current reporting period are as below:

	RMB'million
Fair value recognised as at the date of initial recognition	129
Unrealised fair value gain recognised to profit or loss	(24)
Fair value at 30 June 2014	105

The Company has engaged an independent qualified valuer to determine the fair values of the warrants as at the date of initial recognition and as at 30 June 2014. The fair values of the warrants as at the date of initial recognition and as at 30 June 2014 are determined based on Black-Scholes option pricing method. Key inputs used in arriving at the fair values are as follows:

	At 17 February 2014	At 30 June 2014
Share price of the Company	HK$2.28	HK$1.89
Risk free rate	0.601%	0.6219%
Exercise price	HK$2.85	HK$2.85
Warrant cap	HK$6.47	HK$6.47
Expected dividend yield	2.23%	2.23%
Volatility	40%	50%
Warrant life	3 years	2.63 years

The above risk free rates were determined with reference to yields of 3 years and 2.63 years Hong Kong Exchange Fund Notes available as of 17 February 2014 and 30 June 2014 respectively. The expected volatility was determined based on the historical volatility of the Company's share price for the past 3 years and 2.63 years respectively.

The fair values of the warrants as at the date of initial recognition and as at 30 June 2014 are categorised as Level 3 under the fair value hierarchy set out in IFRS 13 "Fair Value Measurement".

16. Senior Notes

	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
At the beginning of period/year	10,330	13,519
Issue of new senior notes	7,528	–
Less: Transaction costs directly attributable to issue/modification of senior notes	(464)	–
Interest charged during the period/year	610	1,162
Less: Interest paid	(562)	(1,106)
Less: Repayment of senior notes	(1,350)	(3,000)
Exchange translation	89	(245)
At the end of period/year	16,181	10,330
Less: Amount due within one year shown under current liabilities	(5,324)	–
Amount due after one year	10,857	10,330

In the current reporting period, the Group has:

- issued for cash consideration of RMB2,500 million senior notes due in 2017; and
- exchanged or repurchased for cash certain RMB or US$ denominated senior notes due in 2015 for US$ denominated senior notes due in 2018 or 2020, as well as issued US$ denominated senior notes due in 2018 or 2020; and
- issued for cash consideration of US$550 million (equivalent to RMB3,394 million) senior notes due in 2019.

Issue of RMB2,500 million senior notes due in 2017

On 26 February 2014, Shui On Development (Holding) Limited ("SOD"), a wholly-owned subsidiary of the Company, issued RMB2,500 million senior notes to independent third parties with a maturity of three years due on 26 February 2017 (the "2017 RMB Notes"). The 2017 RMB Notes bear coupon at 6.875% per annum payable semi-annually in arrears.

The 2017 RMB Notes are:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2017 RMB Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than SOD.

16. Senior Notes (Continued)

Issue of RMB2,500 million senior notes due in 2017 (Continued)

At any time prior to 26 February 2017, being the maturity date of the 2017 RMB Notes, SOD may at its option redeem the 2017 RMB Notes, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2017 RMB Notes redeemed, accrued and unpaid interest (if any) and the Applicable Premium (see the definition below). In the opinion of the Directors, the fair value of the option to early redeem the 2017 RMB Notes is insignificant at initial recognition and at the end of the current reporting period.

"Applicable Premium" for the 2017 RMB Notes means with respect to the senior notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2017 RMB Notes and (2) the excess of (A) the present value at such redemption date of (i) the principal amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2017 RMB Notes through the maturity date of the 2017 RMB Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate of 2.5% per annum, over (B) the principal amount of the senior notes redeemed on such redemption date.

At any time on or before all the senior notes, including 2017 RMB Notes, are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the consolidated profit for the period/year.

Exchange or repurchase for cash certain RMB or US$ denominated senior notes due in 2015 for US$ denominated senior notes due in 2018 or 2020, as well as issue of US$ denominated senior notes due in 2018 or 2020

Exchange or repurchase RMB or US$ denominated senior notes due in 2015

On 14 April 2014, SOD offered to exchange and/or repurchase for cash any and all the outstanding RMB3,500 million US$ settled 7.625% senior notes due in 2015 ("2015 RMB Notes") (the "RMB Exchange and Tender Offer"). In addition, SOD offered to exchange any and all the outstanding US$875 million 9.750% senior notes due in 2015 ("2015 US$ Notes") (the "US$ Exchange Offer").

Following the completion of the RMB Exchange and Tender Offer and US$ Exchange Offer,

- US$418 million of the 2015 US$ Notes were exchanged to US$341 million 2018 US$ Notes (see the definitions below) and US$77 million 2020 US$ Notes respectively (see the definitions below) with an aggregate exchange premium in cash of RMB135 million paid to the noteholders;
- RMB1,350 million of the 2015 RMB Notes were repurchased for cash with a premium of RMB34 million paid to the noteholders; and
- RMB959 million of the 2015 RMB Notes were exchanged to US$117 million (equivalent to RMB719 million translated at the spot exchange rate on the date of issue (i.e. 19 May 2014)) 2018 US$ Notes and US$39 million (equivalent to RMB240 million translated at the spot exchange rate on 19 May 2014) 2020 US$ Notes with an aggregate exchange premium in cash of RMB24 million paid to the noteholders.

After the completion of the RMB Exchange and Tender Offer and US$ Exchange Offer, US$457 million of the 2015 US$ Notes and RMB1,191 million of the 2015 RMB Notes remained outstanding.

The 2018 US$ Notes and 2020 US$ Notes issued in exchange for the 2015 US$ Notes were accounted for as modifications as the present value of the discounted cash flows under the new terms are not substantially different from those under the old terms, with the exchange premium of RMB135 million being amortised over the remaining periods of the 2018 US$ Notes and 2020 US$ Notes. The 2018 US$ Notes and 2020 US$ Notes issued in exchange for the 2015 RMB Notes were accounted for as derecognition of the existing senior notes and recognition of new senior notes with the exchange premium of RMB24 million being recognised in profit or loss in the current reporting period. Other transaction costs of RMB63 million relating to the modification for the existing senior notes would be amortised over the remaining terms of the senior notes.

16. Senior Notes (Continued)

Exchange or repurchase for cash certain RMB or US$ denominated senior notes due in 2015 for US$ denominated senior notes due in 2018 or 2020, as well as issue of US$ denominated senior notes due in 2018 or 2020 (Continued)

Issue of US$ denominated senior notes due in 2018 or 2020

In addition to those senior notes that were issued in exchange for the 2015 RMB Notes and 2015 US$ Notes, SOD issued the following senior notes to independent third parties:

- US$179 million (equivalent to RMB1,100 million translated at the spot exchange rate on 19 May 2014) senior notes with a maturity of four years due on 19 May 2018, which bear coupon at 8.700% per annum payable semi-annually in arrears (the "2018 US$ Notes").
- US$87 million (equivalent to RMB534 million translated at the spot exchange rate on 19 May 2014) senior notes with a maturity of six years due on 19 May 2020, which bear coupon at 9.750% per annum payable semi-annually in arrears (the "2020 US$ Notes").

The 2018 US$ Notes and 2020 US$ Notes are:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2018 US$ Notes and 2020 US$ Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than SOD.

At any time prior to the maturity date of the 2018 US$ Notes, the 2018 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2018 US$ Notes redeemed, accrued and unpaid interest (if any) and an Applicable Premium (see the definition below). In the opinion of the Directors, the fair value of the option to early redeem the 2018 US$ Notes is insignificant at initial recognition and at the end of the current reporting period.

At any time prior to 19 May 2017, the 2020 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2020 US$ Notes redeemed, accrued and unpaid interest (if any) and an Applicable Premium (see the definition below). In the opinion of the Directors, the fair value of the option to early redeem the 2020 US$ Notes is insignificant at initial recognition and at the end of the current reporting period.

"Applicable Premium" means with respect to the senior notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2018 US$ Notes and 2020 US$ Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2018 US$ Notes and 2020 US$ Notes through the maturity date of the 2018 US$ Notes and 2020 US$ Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the senior notes redeemed on such redemption date.

At any time and from time to time on or after 19 May 2017, the 2020 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price with a range from 101.219% to 104.875% of the principal amount of the 2020 US$ Notes plus accrued and unpaid interest (if any). In the opinion of the Directors, the fair value of the option to early redeem the 2020 US$ Notes is insignificant at initial recognition and at the end of the current reporting period.

At any time on or before all the senior notes, including 2018 US$ Notes and 2020 US$ Notes, are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the consolidated profit for the period/year.

16. Senior Notes (Continued)

Issue of US$550 million senior notes due in 2019

On 10 June 2014, SOD further issued US$550 million (equivalent to RMB3,394 million translated at the spot exchange rate on the date of issue (i.e. 10 June 2014)) senior notes to independent third parties with a maturity of five years due on 10 June 2019 (the "2019 US$ Notes"). The 2019 US$ Notes bear coupon at 9.625% per annum payable semi-annually in arrears.

The 2019 US$ Notes are:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2019 US$ Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than SOD.

At any time prior to 10 June 2017, the 2019 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2019 US$ Notes redeemed, accrued and unpaid interest (if any) and an Applicable Premium (see the definition below). In the opinion of the Directors, the fair value of the option to early redeem the 2019 US$ Notes is insignificant at initial recognition and at the end of the current reporting period.

"Applicable Premium" means with respect to the 2019 US$ Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2019 US$ Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2019 US$ Notes through the maturity date of the 2019 US$ Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the senior notes redeemed on such redemption date.

At any time and from time to time on or after 10 June 2017, the 2019 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price with a range from 102.406% to 104.813% of the principal amount of the 2019 US$ Notes plus accrued and unpaid interest (if any). In the opinion of the Directors, the fair value of the option to early redeem the 2019 US$ Notes is insignificant at initial recognition and at the end of the current reporting period.

At any time on or before all the senior notes, including 2019 US$ Notes, are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the consolidated profit for the period/year.

17. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2013	12,000,000,000	30,000	6,001,294,642	15,003
Issue of new shares under rights issue (note)	–	–	2,000,431,547	5,001
At 30 June 2013, 31 December 2013 and 30 June 2014	**12,000,000,000**	**30,000**	**8,001,726,189**	**20,004**

	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Shown in the condensed consolidated statement of financial position as	**145**	145

Note:

On 20 May 2013, the Company completed the rights issue by issuing 2,000,431,547 rights shares on the basis of one rights share for every three existing shares, at a subscription price of HK$1.84 per rights share. The cash proceeds of approximately HK$3,681 million (equivalent to RMB2,937 million), before share issue expenses of HK$48 million (equivalent to RMB38 million), are used to finance the land relocation, repayment of existing debts, and for general working capital of the Group. These shares rank pari passu with the then existing shares in issue in all aspects.

18. Derivative Financial Instruments

Included in derivative financial instruments are warrants (note 15) amounting to RMB105 million (31 December 2013: nil), interest rate swaps amounting to RMB10 million (31 December 2013: RMB7 million) and cross currency swaps amounting to RMB110 million (31 December 2013: RMB98 million).

Interest rate swaps

At 30 June 2014 and 31 December 2013, the Group had outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations.

Under these swaps, the Group would receive interests at variable rates at Hong Kong Interbank Offered Rates ("HIBOR") and pay interests at fixed rates ranging from 0.53% to 0.64% (31 December 2013: 0.53% to 0.64%); receive interests at variable rates at London Interbank Offered Rates ("LIBOR") and pay interests at fixed rates ranging from 0.54% to 0.71% (31 December 2013: 0.54% to 0.71%); and receive interests ranging from 115% to 125% of the PBOC Prescribed Interest Rate and pay interests at a fixed rate of 7.52% and 7.85% (31 December 2013: 7.52% and 7.85%), based on the notional amounts of HK$2,377 million (31 December 2013: HK$3,227 million), US$305 million (31 December 2013: US$305 million) and RMB656 million (31 December 2013: RMB456 million) in aggregate as at 30 June 2014, respectively, and reduced rateably with repayment of the underlying bank borrowings.

The Group has designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group with principal amount of HK$2,377 million (31 December 2013: HK$3,227 million), US$305 million (31 December 2013: US$305 million) and RMB656 million (31 December 2013: RMB456 million) which bear variable interest rates at HIBOR plus spread ranging from 3.1% to 4.6% (31 December 2013: 3.1% to 4.6%), LIBOR plus spread ranging from 3.1% to 4.6% (31 December 2013: 3.1% to 4.6%) and 115% to 125% (31 December 2013: 110%) of PBOC Prescribed Interest Rate, respectively, and mature on or before October 2015, October 2015 and October 2016, respectively. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the six months ended 30 June 2014, fair value loss arising from the interest rate swaps of RMB3 million (for the six months ended 30 June 2013: fair value gain of RMB18 million) was deferred in equity as hedge reserve, which is expected to be recognised in the profit or loss at various dates upon the interest payments of the related bank borrowings being settled.

18. Derivative Financial Instruments (Continued)

Cross currency swaps

(a) Derivative financial instruments designated as hedging instruments

During the six months ended 30 June 2013, the Group entered into cross currency swaps to hedge against the variability of cash flows arising from the Group's Singapore Dollar ("SGD") 250 million senior notes with a maturity of three years due on 26 January 2015 ("2015 SGD Notes"). The 2015 SGD Notes are denominated and settled in SGD, and bear coupon interest at rate of 8% per annum payable semi-annually in arrears. Under these swaps, the Group would receive interest at a fixed rate of 8% per annum based on the principal amount of SGD250 million and pay interest semi-annually at fixed rates ranging from 9.57% to 9.68% per annum based on the notional amount of RMB1,269 million in aggregate, with a maturity of three years due on 26 January 2015. The cross currency swaps have been negotiated to match the settlement period of the 2015 SGD Notes.

During the six months ended 30 June 2014, the Group also entered into cross currency swaps to hedge against the variability of cash flows arising from the Group's 2015 US$ Notes with principal amount of US$400 million. Under these swaps, the Group would receive interest at a fixed rate of 9.75% per annum based on the principal amount of US$400 million and pay interest semi-annually at fixed rates ranging from 9.2% to 9.78% per annum based on the notional amount of approximately RMB2,500 million in aggregate. The cross currency swaps have been negotiated to match the settlement period of the 2015 US$ Notes.

During the six months ended 30 June 2014, the fair value gain arising from the cross currency swaps of RMB26 million (six months ended 30 June 2013: fair value loss of RMB54 million) was recognised in other comprehensive income, of which fair value gain of RMB40 million (six months ended 30 June 2013: fair value loss of RMB60 million) was reclassified from hedge reserve to profit or loss in the same period when the hedged item affects profit or loss.

(b) Derivative financial instruments not designated as hedging instruments

During the six months ended 30 June 2014, the Group entered into cross currency swaps to reduce the risk of currency exchange fluctuation of the Group's 2017 RMB Notes with principal amount of RMB2,000 million. Under these swaps, the Group would receive interest at a fixed rate of 6.875% per annum based on the principal amount of RMB2,000 million and pay interest semi-annually at fixed rate at 5.975% per annum, based on the notional amount of approximately US$328 million in aggregate. The cross currency swaps have been negotiated to match the settlement period of the 2017 RMB Notes.

The Group has not designated the cross currency swaps of 2017 RMB Notes as hedge and its fair value change amounting to RMB38 million was recognised immediately in profit or loss during the current reporting period.

19. Share-Based Payment Transactions

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

As of 30 June 2014, 117,323,567 share options (31 December 2013: 136,530,711 share options) remained outstanding under the Scheme, representing 1.5% (31 December 2013: 1.7%) of the ordinary shares of the Company in issue at that date. The Scheme allows the Board of Directors of the Company, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Group recognised a total expense of RMB3 million (for the six months ended 30 June 2013: RMB6 million) in the condensed consolidated statement of profit or loss for the current reporting period in relation to share options granted by the Company.

19. Share-Based Payment Transactions (Continued)

No share options were exercised during the six months ended 30 June 2014 and 30 June 2013. The movement in the Company's share options during the current reporting period is set out below:

		Number of options				
Date of grant	Exercise price HK$	At 1 January 2014	Reclassification (note)	Exercised during the period	Lapsed during the period	At 30 June 2014
20 June 2007	6.45	59,872,138	–	–	(13,040,606)	46,831,532
1 August 2007	7.54	780,144	–	–	–	780,144
2 October 2007	9.22	1,049,032	–	–	(567,060)	481,972
1 November 2007	10.86	412,400	–	–	(3,944)	408,456
3 December 2007	9.11	106,365	–	–	–	106,365
2 January 2008	8.27	2,732,140	–	–	(194,475)	2,537,665
1 February 2008	7.42	881,413	–	–	(148,390)	733,023
3 March 2008	7.08	427,852	–	–	(32,010)	395,842
2 May 2008	7.31	3,796,477	–	–	(286,225)	3,510,252
2 June 2008	6.77	9,064,413	–	–	(912,704)	8,151,709
2 July 2008	5.95	399,934	–	–	(67,174)	332,760
4 September 2009	4.52	12,694,099	–	–	(2,255,470)	10,438,629
18 January 2012	2.41	13,303,687	–	–	(706,822)	12,596,865
3 September 2012	4.93	31,010,617	–	–	(992,264)	30,018,353
Total		136,530,711	–	–	(19,207,144)	117,323,567
Categorised as:						
Directors		14,641,916	(7,278,685)	–	–	7,363,231
Consultant		651,000	–	–	(217,000)	434,000
Employees		121,237,795	7,278,685	–	(18,990,144)	109,526,336
		136,530,711	–	–	(19,207,144)	117,323,567
Number of options exercisable at the beginning and end of the period		73,938,553				73,442,877

Note:

One of the Directors resigned and remained as employee for the current reporting period.

20. Acquisitions and Disposals

(a) Disposal of subsidiaries in the current reporting period

During the current reporting period, the Group disposed of the entire equity interest in Pacific Gain Limited, of which its wholly-owned subsidiary engaged in property management in Hangzhou, the PRC, to an independent third party for an aggregate cash consideration of RMB53 million. The net assets of the disposed subsidiaries at the date of disposal were as follows:

	RMB'million
Net assets disposed of:	
Property, plant and equipment	21
Accounts receivables	6
Bank balances and cash	14
Other payables	(12)
	29
Gain on disposal	24
Total consideration	53
Net cash inflow arising on disposal:	
Cash consideration received	53
Less: Bank balances and cash disposed of	(14)
	39

The disposal on the Group's results and cash flows in the current reporting period was insignificant.

(b) Disposal of subsidiaries in the prior year

During the year ended 31 December 2013, the Group disposed of its entire equity interests in Sinothink Holdings Limited, of which its subsidiary was engaged in property investment in Shanghai, the PRC, to an independent third party for a cash consideration of RMB3,319 million. As a result of the finalisation of the net asset value of the disposed subsidiaries, an additional consideration of RMB45 million was received and recognised as a gain on disposal of subsidiaries during the current reporting period.

20. Acquisitions and Disposals (Continued)

(c) Acquisition of additional interests in subsidiaries for the six months ended 30 June 2013

During the six months ended 30 June 2013, the Group acquired from a non-controlling equity owner its entire equity interest in certain subsidiaries, representing 3% of the registered capital of Shanghai Bai-Xing Properties Co., Ltd. ("Bai-Xing", a subsidiary in which the Group owned 97% equity interest), 3% of the registered capital of Shanghai Ji-Xing Properties Co., Ltd. ("Ji-Xing", a subsidiary in which the Group owned 97% equity interest), 1% of the registered capital of Shanghai Tai Ping Qiao Properties Management Co., Ltd. ("TPQM", a subsidiary in which the Group owned 99% equity interest), 3% of the registered capital of Shanghai Xin-tian-di Plaza Co., Ltd. ("XTD Plaza", a subsidiary in which the Group owned 97% equity interest), 1% of the registered capital of Shanghai Xing Bang Properties Co., Ltd. ("Xing Bang", a subsidiary in which the Group owned 99% equity interest), 3% of the registered capital of Shanghai Xing-Qi Properties Co., Ltd. ("Xing-Qi", a subsidiary in which the Group owned 97% equity interest), for a total cash consideration of RMB177 million. Upon completion of the acquisition, Bai-Xing, Ji-Xing, TPQM, XTD Plaza, Xing Bang and Xing-Qi became wholly-owned subsidiaries of the Group.

An amount of RMB52 million recognised in other reserves during the six months ended 30 June 2013 represented the difference between the cash consideration paid and the carrying amount of the net assets attributable to the additional interest in Bai-Xing, Ji-Xing, TPQM, XTD Plaza, Xing Bang and Xing-Qi being acquired from the non-controlling equity owner.

(d) Partial disposals of equity interests in subsidiaries

Pursuant to a sale and purchase agreement dated 29 November 2011 entered into between SOD and Mitsui Fudosan Residential Co., Ltd. ("Mitsui", a non-controlling shareholder of an associate's subsidiary), SOD agreed to dispose of, and Mitsui agreed to acquire from SOD, SOD's 49% equity interests in relation to Value Land Investment Limited ("Value Land", an indirect wholly-owned subsidiary of the Company which engages in the property development in Foshan, the PRC), and the related shareholder's loans of RMB298 million, for a total cash consideration of RMB391 million. An amount of RMB352 million was received in December 2011 and the remaining balance of RMB39 million was received during the six months ended 30 June 2013 upon completion of the transaction pursuant to the terms of the sale and purchase agreement.

Upon completion of the transaction, the Group's ownership interest in Value Land has reduced to 51% and the Group continues to have control over Value Land. The difference of RMB84 million between the cash consideration received of RMB93 million and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Value Land was recognised directly in equity during the six months ended 30 June 2013.

Subsequent to the end of the reporting period, a sale and purchase agreement dated 26 August 2014 was entered into between SOD and Mitsui for the acquisition of the 49% equity interests in Value Land owned by Mitsui, details of which are disclosed in note 25 (b).

21. Pledge of Assets

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

	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Investment properties	**45,121**	43,276
Property, plant and equipment	**2,871**	2,758
Prepaid lease payments	**499**	451
Properties under development for sale	**6,432**	10,600
Properties held for sale	**1,785**	88
Accounts receivable	**46**	41
Bank deposits	**2,590**	3,571
	59,344	60,785

The equity interests in certain subsidiaries with carrying amount of net assets of RMB18,717 million (31 December 2013: RMB24,710 million) were also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

22. Commitments and Contingencies

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

	30 June 2014 RMB'million (Unaudited)	31 December 2013 RMB'million (Audited)
Contracted but not provided for:		
Development costs for investment properties under construction or development	**6,500**	7,250
Development costs for properties under development held for sale	**5,070**	4,969
	11,570	12,219

Except as disclosed above, there have been no significant changes in the Group's capital and other commitments as well as contingent liabilities since 31 December 2013.

23. Related Party Transactions

Apart from the related party transactions and balances as disclosed in notes 10 and 12 and on the face of the condensed consolidated statement of financial position, the Group also had the following transactions with related parties during the current reporting period:

	Six months ended 30 June	
	2014 RMB'million (Unaudited)	2013 RMB'million (Unaudited)
SOCL and its subsidiaries other than those of the Group		
Rental and building management fee expenses	**2**	2
Travel expenses	**6**	3
Interest expenses	**–**	1
SOCAM and its subsidiaries, associates of SOCL		
Project construction costs	**269**	218
Associates		
Project management fee income	**21**	8
Interest income	**26**	33
Imputed interest income	**20**	18
Joint venture		
Interest income	**21**	–
Key management personnel (including Directors of the Company)		
Property sales	**–**	2
Short-term benefits	**65**	43
Share-based payments	**1**	3
	66	46

24. Fair Value Measurements of Financial Instruments

The Group's derivative financial instruments and warrants are measured at fair value at the end of the reporting period of which interest rate swaps and cross currency swaps, and warrants are grouped into Level 2 and Level 3 financial instruments respectively, based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability.

The Group's interest rate swaps amounting to RMB10 million (31 December 2013: RMB7 million) are measured at the present value of future cash flows, estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

24. Fair Value Measurements of Financial Instruments (Continued)

The Group's cross currency swaps amounting to RMB110 million (31 December 2013: RMB98 million) are measured at the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Fair value measurement of warrants are disclosed in note 15.

25. Events after the Reporting Period

(a) Acquisition of construction, interior decoration and fitting out businesses in the PRC from SOCAM

Pursuant to a sale and purchase agreement dated 21 August 2014, the Company, as buyer, has conditionally agreed to buy and SOCAM, as seller, has conditionally agreed to sell 100% of the share capital of Shui On Granpex Limited, Pat Davie (China) Limited and Famous Scene Holdings Limited and the related shareholder's loans for an aggregate consideration of approximately HK$340 million (equivalent to approximately RMB272 million). The subsidiaries of these companies are engaged in the construction, interior decoration and fitting out businesses in the PRC.

For more information on the potential acquisition, please refer to the announcement of the Company published on 21 August 2014.

(b) Acquisition of Mitsui's 49% equity interests in Value Land

Pursuant to a sale and purchase agreement dated 26 August 2014, SOD, as the buyer, has agreed to purchase and Mitsui, as the seller, has agreed to sell (a) 49% of the equity interests of Value Land, an indirect non-wholly owned subsidiary of the Company which owns interest in a subsidiary that is engaged in the property development in Foshan, the PRC and (b) the related shareholder's loan for a total cash consideration of approximately RMB373 million. Upon the completion of the acquisition, which shall take place on the tenth business day from the date when the agreement was entered into, Value Land will become an indirect wholly-owned subsidiary of the Company. The acquisition will be accounted for as an equity transaction, with the difference between the consideration paid and the decrease in the carrying amount of the non-controlling interest will be recognised directly in equity.

For more information on the sale and purchase agreement, please refer to the announcement of the Company published on 26 August 2014.

(c) Disposals of THE HUB Hotel and Langham Xintiandi Hotel to Great Eagle Holdings Limited ("Great Eagle")

Pursuant to a framework deed dated 27 August 2014, Shine First Limited, an indirect wholly-owned subsidiary of the Company, as seller, has conditionally agreed to sell and Wisdom Joy Investment Limited, an indirect wholly-owned subsidiary of Great Eagle, as buyer, has conditionally agreed to acquire a hotel located at Minhang District, Shanghai, the PRC, namely THE HUB Hotel for an aggregate consideration of RMB965 million.

In addition, pursuant to a sale and purchase agreement dated 27 August 2014, China Xintiandi Investment Company Limited ("CXI"), an indirect wholly-owned subsidiary of the Company, as seller, has conditionally agreed to sell and G.E. Hotel (Xintiandi) Limited, an indirect wholly-owned subsidiary of Great Eagle, as buyer, has conditionally agreed to acquire 66.7% of the equity interests of Magic Garden Investments Limited ("Magic Garden", a 66.7% indirect owned subsidiary of the Company) and the related shareholder's loan. Magic Garden, through its wholly-owned subsidiaries namely Victorious Run Limited and Landton Limited, owns 50% of the equity interests in Shanghai Li Xing Hotel Company Limited, through which Magic Garden indirectly beneficially solely owns the Langham Xintiandi Hotel in Huangpu District, Shanghai, the PRC. The aggregate consideration will be determined based on the CXI's proportional interest in net asset value of Magic Garden as at the completion date to be calculated using an agreed valuation of RMB1,739 million for the Langham Xintiandi Hotel and the amount of shareholder's loan as at the completion date.

Great Eagle is a company listed in the Hong Kong Stock Exchange of which the chairman and the managing director is the sibling of the Chairman and ultimate controlling party of the Company. For more information on the potential disposals, please refer to the announcement of the Company published on 27 August 2014.

Interim Dividend

The Board has declared an interim dividend of HKD0.022 per share (2013: HKD0.022 per share) for the six months ended 30 June 2014, which is payable on or about 26 September 2014 to shareholders whose names appear on the register of members of the Company on 12 September 2014.

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 Friday, 12 September 2014.

Directors' Interests in Securities

At 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

	Number of ordinary shares			Interests in the underlying shares		Approximate percentage of interests in the Company
Name of Directors	Personal interests	Family interests	Other interests	Share options (Note 3)	Total	(Note 4)
Mr. Vincent H. S. LO	–	1,849,521 (Note 1)	4,579,234,984 (Note 2)	–	4,581,084,505	57.25%
Mr. Daniel Y. K. WAN	–	–	–	7,363,231	7,363,231	0.09%
Dr. William K. L. FUNG	5,511,456	–	–	–	5,511,456	0.06%
Professor Gary C. BIDDLE	305,381	–	–	–	305,381	0.0038%
Sir John R. H. BOND	250,000	–	–	–	250,000	0.003%
Dr. Roger L. McCARTHY	200,000	–	–	–	200,000	0.002%

Notes:

(1) These shares were beneficially owned by Ms. Loletta CHU ("Mrs. Lo"), the spouse of Mr. Vincent H. S. LO ("Mr. Lo"). Mr. Lo was deemed to be interested in 1,849,521 shares under Part XV of the SFO.

(2) These shares were held by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,198,103,792 shares, 1,735,998,107 shares, 183,503,493 shares, 29,847,937 shares, 573,333,333 shares, 708,448,322 shares and 150,000,000 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), Chester International Cayman Limited ("Chester International"), New Rainbow Investments Limited ("NRI"), Lanvic Limited ("Lanvic"), Boswell Limited ("Boswell") and Merchant Treasure Limited ("Merchant Treasure") respectively whereas SOP, Chester International, Lanvic, Boswell and Merchant Treasure were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("SOCAM") which in turn was held by SOCL as to 48.38%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) These represent the interests of share options granted to the Directors and/or their associate(s) under the share option scheme adopted by the Company on 8 June 2007 to subscribe for shares of the Company.

(4) These percentages have been compiled based on the total number of issued shares (i.e. 8,001,726,189 shares) at 30 June 2014.

(b) Interests in the debentures of the Company

Name of Director	Nature of interests	Amount of debentures
Dr. William K. L. FUNG	Interest of controlled corporation	RMB12,700,000 (Note)

Note:

Dr. William K. L. FUNG and his associates disposed all the interests in the debentures of the Company as recorded in the SFO disclosure of interest notice dated 6 August 2014.

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

Name of Directors	Name of associated corporation	Nature of interests	Amount of debentures
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal interests	USD813,000 (Note)
Dr. William K. L. FUNG	Shui On Development (Holding) Limited	Family interests	USD500,000

Note:

By virtue of the RMB Notes Exchange Offer, Sir John R. H. BOND exchanged RMB5,000,000 RMB Notes for a principal amount of USD813,000 8.700% Senior Notes due 2018 issued by Shui On Development (Holding) Limited, effective from 20 May 2014. Capitalized terms used herein have the same meaning as those defined in the announcement of the Company dated 14 April 2014.

Save as disclosed above, at 30 June 2014, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities

At 30 June 2014, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests in the Company (Note 4)
Mrs. Lo	Family and Personal	4,581,084,505 (Notes 1 & 3)	57.25%
HSBC Trustee	Trustee	4,579,234,984 (Notes 2 & 3)	57.22%
Bosrich	Trustee	4,579,234,984 (Notes 2 & 3)	57.22%
SOCL	Interest of Controlled Corporation	4,579,234,984 (Notes 2 & 3)	57.22%

Notes:

(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,579,234,984 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO as mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 4,579,234,984 shares under Part XV of the SFO.

(2) These shares were held by SOCL through its controlled corporations, comprising 1,198,103,792 shares, 1,735,998,107 shares, 183,503,493 shares, 29,847,937 shares, 573,333,333 shares, 708,448,322 shares and 150,000,000 held by SOP, SOI, Chester International, NRI, Lanvic, Boswell and Merchant Treasure respectively whereas SOP, Chester International, Lanvic, Boswell and Merchant Treasure were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 48.38%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) All the interests stated above represent long positions.

(4) These percentages have been compiled based on the total number of issued shares (i.e. 8,001,726,189 shares) at 30 June 2014.

Save as disclosed above, at 30 June 2014, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Share Options

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 (the "Adoption Date") are set out in note 19 to the condensed consolidated financial statements.

The following table sets out the movement of the Company's share options during the six months ended 30 June 2014:

Name or category of Eligible participants	Date of grant	Exercise price per share HK$	At 1 January 2014	Reclassification	Exercised during the period	Lapsed during the period	At 30 June 2014	Period during which the share options are exercisable
Directors								
Mr. Daniel Y. K. WAN	18 January 2012	2.41	1,025,617	–	–	–	1,025,617	28 June 2013 – 17 January 2020
	3 September 2012	4.93	6,337,614	–	–	–	6,337,614	3 October 2012 – 28 October 2018
Mr. Freddy C. K. LEE (Note)	20 June 2007	6.45	3,072,317	(3,072,317)	–	–	-	20 June 2009 – 19 June 2016
	2 June 2008	6.77	585,995	(585,995)	–	–	-	2 June 2010 – 1 June 2017
	18 January 2012	2.41	2,026,920	(2,026,920)	–	–	-	28 June 2013 – 17 January 2020
	3 September 2012	4.93	1,593,453	(1,593,453)	–	–	-	3 October 2012 – 28 October 2018
Sub-total			14,641,916	(7,278,685)	–	–	7,363,231	
Consultant								
Mr. Richard K. N. HO	20 June 2007	6.45	651,000	–	–	(217,000)	434,000	20 June 2007 – 19 June 2016
Sub-total			651,000	–	–	(217,000)	434,000	
Employees (in aggregate)	20 June 2007	6.45	56,148,821	3,072,317	–	(12,823,606)	46,397,532	20 June 2009 – 19 June 2016
	1 August 2007	7.54	780,144	–	–	–	780,144	1 August 2009 – 31 July 2016
	2 October 2007	9.22	1,049,032	–	–	(567,060)	481,972	2 October 2009 – 1 October 2016
	1 November 2007	10.86	412,400	–	–	(3,944)	408,456	1 November 2009 – 31 October 2016
	3 December 2007	9.11	106,365	–	–	–	106,365	3 December 2009 – 2 December 2016
	2 January 2008	8.27	2,732,140	–	–	(194,475)	2,537,665	2 January 2010 – 1 January 2017
	1 February 2008	7.42	881,413	–	–	(148,390)	733,023	1 February 2010 – 31 January 2017
	3 March 2008	7.08	427,852	–	–	(32,010)	395,842	3 March 2010 – 2 March 2017
	2 May 2008	7.31	3,796,477	–	–	(286,225)	3,510,252	2 May 2010 – 1 May 2017
	2 June 2008	6.77	8,478,418	585,995	–	(912,704)	8,151,709	2 June 2010 – 1 June 2017
	2 July 2008	5.95	399,934	–	–	(67,174)	332,760	2 July 2010 – 1 July 2017
	4 September 2009	4.52	12,694,099	–	–	(2,255,470)	10,438,629	3 November 2010 – 2 November 2017
	18 January 2012	2.41	10,251,150	2,026,920	–	(706,822)	11,571,248	28 June 2013 – 17 January 2020
	3 September 2012	4.93	10,708,710	1,593,453	–	(992,264)	11,309,899	3 October 2012 – 28 October 2018
	3 September 2012	4.93	12,370,840	–	–	–	12,370,840	5 November 2012 – 4 November 2019
Sub-total			121,237,795	7,278,685	–	(18,990,144)	109,526,336	
Total			136,530,711	–	–	(19,207,144)	117,323,567	

Note:

Mr. Freddy C. K. LEE resigned as an Executive Director of the Company with effect from 10 January 2014 and remained as an employee of the Group for the six months ended 30 June 2014. Mr. LEE's share options were reclassified under "Employees" effective from 10 January 2014.

Corporate Governance

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to reviewing its corporate governance practices from time to time to ensure they comply with all the applicable code provisions as set out in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and align with the latest developments.

Compliance with the CG Code

During the six months ended 30 June 2014, the Company has fully complied with the applicable code provisions of the CG Code.

Model Code for Securities Transactions

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

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

No incident of non-compliance with the Model Code by the Directors and the Code for Securities Transactions by Relevant Employees was noted by the Company.

Board Composition

The majority of the members of the Board of Directors (the "Board") of the Company are Independent Non-executive Directors ("INEDs"). Currently, the Board is made up of nine members in total, with three Executive Directors, one Non-executive Director and five INEDs.

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

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

Chairman and Chief Executive

As announced by the Company in January 2014, Mr. Freddy C. K. LEE resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 10 January 2014. The Board expected that more time would be taken to identify a suitable high caliber candidate with the appropriate skills and knowledge to become the new Chief Executive Officer of the Company. During the transitional period, Mr. Vincent H. S. LO ("Mr. LO") who is the Chairman of the Company and one of the members of the Executive Committee of the Company ("EXCOM") resumed a more active role in steering the business and to leverage his experience to guide the EXCOM at a strategic level and promote the Company's sustainable growth. The reformed EXCOM after the reorganized management of the Group collectively takes the key management role of the Company on executive decisions and takes up the functional duties of Chief Executive Officer. The roles of chairman and chief executive of the Company are separated and currently performed by Mr. LO and the EXCOM respectively. The division of responsibilities of chairman and chief executive is clearly established and set out in writing.

Board Committees

The Board has established four Board committees with defined terms of reference, namely Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee, for overseeing particular aspects of the Company's affairs.

Audit Committee

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

The Audit Committee consists of three members, namely Professor Gary C. BIDDLE ("Professor BIDDLE"), Dr. Roger L. McCARTHY ("Dr. McCARTHY") and Mr. Frankie Y. L. WONG. Professor BIDDLE and Dr. McCARTHY are INEDs. The Chairman of the Audit Committee is Professor BIDDLE who possesses appropriate professional qualifications, accounting and related financial management expertise.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2014, including the accounting principles and practices and internal control system, adopted by the Company, in conjunction with the Company's external auditor. The Audit Committee has no disagreement with the accounting treatment adopted.

Remuneration Committee

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

The Remuneration Committee consists of three members, namely Dr. William K. L. FUNG ("Dr. FUNG"), Mr. LO and Professor BIDDLE. Dr. FUNG and Professor BIDDLE are INEDs. The Chairman of the Remuneration Committee is Dr. FUNG.

Nomination Committee

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

The Nomination Committee consists of three members, Mr. LO, Sir John R. H. BOND and Professor BIDDLE. Sir John R. H. BOND and Professor BIDDLE are INEDs. The Chairman of the Nomination Committee is Mr. LO.

Finance Committee

The Finance Committee was established to stipulate and monitor the financial strategies, policies and guidelines of the Group.

The Finance Committee consists of seven members, namely Mr. LO, Sir John R. H. BOND, Dr. FUNG, Professor BIDDLE, Mr. Daniel Y. K. WAN, Mr. Frankie Y. L. WONG and Mr. Philip K. T. WONG. Sir John R. H. BOND, Dr. FUNG and Professor BIDDLE are INEDs. The Chairman of the Finance Committee is Mr. LO.

Awards Received

During the six months ended 30 June 2014, the Company was awarded the "Corporate Governance Asia Recognition Award 2014 – Best Investor Relations Company" organized by Corporate Governance Asia.

Training, Induction and Continuing Development for Directors

To facilitate the discharge of the responsibilities of the Directors, the Directors are continually updated on the legal and regulatory developments, as well as business and market changes.

On 18 March 2014, the Company had invited an external professional advisor to provide training to the Directors on "2014 Legal and Regulatory Updates". The seminar facilitated interaction between the Directors and the advisor on the new compliance requirements which are of relevance to the Directors' duties and responsibilities, corporate governance and compliance of the Company. Mr. LO, Mr. Daniel Y. K. WAN, Mr. Philip K. T. WONG, Sir John R. H. BOND, Professor BIDDLE, Dr. McCARTHY and Mr. David J. SHAW attended this training session and briefing materials were sent to all Directors for perusal.

Annual General Meeting

To enhance communications with shareholders at the Company's Annual General Meeting, the conducting language has been changed to Cantonese with simultaneous interpretation in English. The Chairman of the Board, most of the Directors, the Chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Finance Committee or in their absence, another member of the committees and the external auditor were present at the Annual General Meeting held on 28 May 2014 and the meeting provided a useful forum to exchange views with the Board.

Purchase, Sale or Redemption/Cancellation of Securities

On 14 April 2014, the Company announced the commencement of the USD Notes Exchange Offer, the RMB Notes Exchange Offer and the RMB Notes Tender Offer (as referred to in the announcement of the Company dated 14 April 2014) (collectively the "Offers"). The results of the Offers were announced by the Company on 13 May 2014 and the aggregate consideration paid by the Company to eligible holders pursuant to the Offers was USD844 million on the settlement date of 20 May 2014.

Following the completion of the Offers, (i) USD417.79 million of the USD875 million 9.75% senior notes due 2015 (the "USD Notes") had been cancelled in accordance with the terms of the USD Notes and the aggregate principal amount of the USD Notes remaining outstanding is USD457.21 million; and (ii) USD375.48 million of the RMB3,500 million USD settled 7.625% senior notes (the "RMB Notes") had been cancelled in accordance with the terms of the RMB Notes and the aggregate principal amount of the RMB Notes remaining outstanding is RMB1,190.99 million.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2014.

Disclosure under Rule 13.21 of the Listing Rules

On 26 January 2011, a written agreement (the "2015 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB Trustee (Hong Kong) Limited ("DB") as trustee of the RMB3,500 million US$ settled 7.625% senior notes due 2015 issued by SODH (the "2015 Notes"), pursuant to which the 2015 Notes were issued. The 2015 Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 Indenture), SODH will make an offer to repurchase all outstanding 2015 Notes, at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 26 January 2011. Following the completion of the RMB Notes Exchange and Tender Offer (as defined in the announcement of the Company dated 13 May 2014), the aggregate principal amount of the 2015 Notes remained outstanding as at 30 June 2014 was RMB1,190.99 million.

On 20 April 2011, King Concord Limited as borrower, the Company as guarantor and Standard Chartered Bank (Hong Kong) Limited ("SCB"), United Overseas Bank Limited, Bank of China Limited, Macau Branch, The Bank of East Asia, Limited and Tai Fung Bank Limited as lenders, the mandated lead arrangers and SCB as coordinator, agent and security agent entered into a facility agreement in relation to a three-year term loan facility of up to HK$1,550 million (the "King Concord Loan"). Pursuant to the facility agreement, there is a requirement that Mr. Lo beneficially owns at least 35% of the issued share capital of the Company or acts as the Chairman of the Company or maintains control over the Company during the term of the facility agreement. The King Concord Loan was fully repaid during the six months ended 30 June 2014.

On 26 January 2012, a written agreement (the "2015 SODS Indenture") was entered into between the Company and SODH as guarantors, Shui On Development (Singapore) Pte. Ltd. ("Shui On Development (Singapore)") as issuer and DB as trustee of the S$250 million 8% senior notes due 2015 issued by Shui On Development (Singapore) (the "2015 SODS Notes"), pursuant to which the 2015 SODS Notes were issued. The 2015 SODS Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 SODS Indenture), the Company, SODH or Shui On Development (Singapore) will make an offer to repurchase all outstanding 2015 SODS Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 26 January 2012.

On 16 February 2012 and 29 February 2012 respectively, two written agreements (together, the “2015 SODH Indenture”) were entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$475 million 9.75% senior notes due 2015 issued by SODH (the “2015 SODH Notes”), pursuant to which the 2015 SODH Notes were issued. The 2015 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2015 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2015 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 1 March 2012.

On 20 July 2012, the Company announced that Hollyfield Holdings Limited and Shanghai Rui Hong Xin Cheng Co., Ltd. obtained a three-year term offshore loan facility of up to HK$850 million and a three-year term onshore loan facility of up to RMB1,200 million respectively (collectively as the “RHXC Loans”). Pursuant to the conditions of the RHXC Loans, there is a requirement that Mr. Lo beneficially owns at least 35% of the issued share capital of the Company or acts as the Chairman of the Company or maintains control over the Company during the continuance of the RHXC Loans. Details of the transaction are set out in the announcement of the Company dated 20 July 2012. The RHXC Loans were fully repaid during the six months ended 30 June 2014.

On 30 July 2012, the Company and SODH entered into a purchase agreement with Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch in connection with the issue of US$400 million 9.75% senior notes due 2015 (the “Additional 2015 SODH Notes”), to be consolidated and form a single class with the 2015 SODH Notes and rank pari passu with the 2015 SODH Notes. The Additional 2015 SODH Notes were issued pursuant to the 2015 SODH Indenture. Details of the transaction are set out in the announcement of the Company dated 7 August 2012. Following the completion of the US$ Notes Exchange Offer (as defined in the announcement of the Company dated 13 May 2014), the aggregate principal amount of the 2015 SODH Notes (as enlarged by the Additional 2015 SODH Notes) that remained outstanding as at 30 June 2014 was US$457.21 million.

On 10 December 2012, a written agreement (the “Trust Deed”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$500 million perpetual capital securities issued by SODH (the “Perpetual Securities”), pursuant to which the Perpetual Securities were issued. The Trust Deed provides that if (a) SODH fails to comply with any of the covenants set out in the terms and conditions of the Perpetual Securities and such breach continues or (b) SODH does not redeem the Perpetual Securities following the occurrence of a change of control (as defined in the terms and conditions of the Perpetual Securities) or fails to make or consummate an offer to purchase, the then-prevailing distribution rate shall be increased by 3% per annum with effect from (and including) the date on which such change of control occurs, provided that the maximum aggregate increase in the distribution rate shall be 3% per annum. Details of the transaction are set out in the announcement of the Company dated 11 December 2012.

On 24 May 2013, the Company announced that Infoshore International Limited and Shanghai Le Fu Properties Co., Ltd. obtained a three-year transferable HK$ and US$ term loan facility of up to HK$1,000 million equivalent (the “Infoshore Loan”) and a three-year term loan facility of up to RMB 1,500 million (the “Shanghai Le Fu Loan”) respectively. Pursuant to the conditions of the Infoshore Loan and the Shanghai Le Fu Loan, there is a requirement that Mr. Lo and his family together beneficially owns at least 35% of the issued share capital of the Company and that Mr. Lo acts as the Chairman of the Company or maintains control over the Company. Details of the transaction are set out in the announcement of the Company dated 24 May 2013.

On 26 February 2014, a written agreement (the “2017 CNH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the RMB2,500 million 6.875% senior notes due 2017 issued by SODH (the “2017 CNH Notes”), pursuant to which the 2017 CNH Notes were issued. The 2017 CNH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2017 CNH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2017 CNH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 27 February 2014.

On 19 May 2014, two written agreements (respectively the “2018 SODH Indenture” and the “2020 SODH Indenture”) were entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$637,027,000 8.700% senior notes due 2018 (the “2018 SODH Notes”) and US$202,487,000 9.750% senior notes due 2020 (the “2020 SODH Notes”) issued by SODH, pursuant to which the 2018 SODH Notes and 2020 SODH Notes were issued. The 2018 SODH Indenture and the 2020 SODH Indenture provide that upon the occurrence of a Change of Control (as defined in the 2018 SODH Indenture and 2020 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2018 SODH Notes and 2020 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 20 May 2014.

On 10 June 2014, a written agreement (the "2019 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$550 million 9.625% senior notes due 2019 issued by SODH (the "2019 SODH Notes"), pursuant to which the 2019 SODH Notes were issued. The 2019 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2019 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2019 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 11 June 2014.

Any breach of the above obligations will cause a default in respect of the 2015 Notes, the 2015 SODS Notes, the 2015 SODH Notes, the Additional 2015 SODH Notes, the Perpetual Securities, the Infoshore Loan, the Shanghai Le Fu Loan, the 2017 CNH Notes, the 2018 SODH Notes, the 2020 SODH Notes and the 2019 SODH Notes and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB9,022.11 million at 30 June 2014.

Update on Information of Directors under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the update on the biographical details of the Directors of the Company are as follows:

- Mr. Vincent H. S. LO has been appointed as Chairman of The Airport Authority Hong Kong with effect from 1 June 2014.
- Dr. William K. L. FUNG is the Chairman and Non-executive Director of Global Brands Group Holding Limited, a company listed on the Main Board of the Stock Exchange.
- Professor Biddle is presently a Board and Executive Council Member of the American Accounting Association.
- Mr. Frankie Y. L. WONG retired as an Independent Non-executive Director of Solomon Systech (International) Limited since 28 May 2014 and he is no longer a Non-executive Director of SOCAM Development Limited with effect from 1 September 2014.

Save as disclosed above, after having made all reasonable enquiry, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's annual report 2013.

Employees and Remuneration Policy

As of 30 June 2014, the number of employees in the Group was 3,223 (31 December 2013: 3,141); which included the headcount of China Xintiandi at 458 (31 December 2013: 432), the headcount of the property management business at 1,668 (31 December 2013: 1,569). 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 organized 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 2014, 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.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Vincent H. S. LO
(Chairman)

Mr. Daniel Y. K. WAN
(Managing Director and Chief Financial Officer)

Mr. Philip K. T. WONG
(Managing Director)

Non-executive Director

Mr. Frankie Y. L. WONG

Independent Non-executive Directors

Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

Audit Committee

Professor Gary C. BIDDLE *(Chairman)*
Dr. Roger L. McCARTHY
Mr. Frankie Y. L. WONG

Remuneration Committee

Dr. William K. L. FUNG *(Chairman)*
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

Nomination Committee

Mr. Vincent H. S. LO (Chairman)
Sir John R. H. BOND
Professor Gary C. BIDDLE

Finance Committee

Mr. Vincent H. S. LO *(Chairman)*
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Mr. Daniel Y. K. WAN
Mr. Frankie Y. L. WONG
Mr. Philip K. T. WONG

Company Secretary

Mr. UY Kim Lun

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown JSM

Registered Office

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Corporate Headquarters

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333 Huai Hai Zhong Road
Shanghai 200021
PRC

Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Stock Code

272

Website

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