

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

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

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



Shui On Land Limited
瑞安房地產有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 272)

Announcement of 2016 Interim Results

HIGHLIGHTS

- The Group recorded robust property sales during the first half ended 30 June 2016 (“1H 2016”). Contracted property sales including contributions from its Dalian associates and other assets disposal, increased by 410% to RMB16,642 million compared to RMB3,263 million in the first half of 2015 (“1H 2015”). A total gross floor area (“GFA”) of 740,200 square metres (“sq.m.”) was sold and pre-sold at an Average Selling Price (“ASP”) of RMB22,500 per sq.m.. As of 30 June 2016, total locked-in sales was RMB21,325 million (including disposal of commercial properties and contributions from its Dalian associates), amounting a total GFA of 717,000 sq.m.. These properties will be ready for delivery in the second half of 2016 (“2H 2016”) and beyond.
- During the period, the Group achieved solid operating performance as shown by higher gross and operating profits. Gross profit increased 32% year-on-year to RMB761 million, while operating profit increased 89% year-on-year. Compared with 1H 2015, gross profit margin increased 16 percentage points to 45% in 1H 2016.
- Turnover in 1H 2016 was RMB1,681 million, compared to RMB2,027 million in 1H 2015. The decline was mainly due to a lower recognised residential sales contribution in 1H 2016. Rental and related income increased by 3% to RMB759 million from RMB736 million in 1H 2015. In addition to the property sales recognised as turnover, the Group also completed RMB7,791 million of recognised property sales and other assets disposal, including the disposal of 3 Corporate Avenue in Shanghai Taipingqiao, Foshan Lingnan Tiandi Lot 4, and other sales.
- Profit for the period was RMB1,128 million in 1H 2016, compared to RMB1,535 million in 1H 2015. Profit attributable to shareholders was RMB768 million in 1H 2016. The lower profit was mainly due to i) the decrease in fair value gain of investment properties by approximately 81% to RMB519 million in 1H 2016 as compared to RMB2,797 million in 1H 2015. The higher fair value gain reported in 1H 2015 was driven by realisation of the disposal value of 1 & 2 Corporate Avenue; ii) exchange loss (both realised and unrealised) of RMB350 million as a result of the depreciation of RMB.
- The Group’s core earnings was RMB1,321 million in 1H 2016 backed by a substantial contribution arising from the disposal of 3 Corporate Avenue in Shanghai.
- As of 30 June 2016, the Group’s total assets were RMB118,914 million. The Group’s total cash and bank deposits were RMB11,316 million and the net gearing ratio was 75%, a decrease of 6% over 31 December 2015 and a decrease of 12% over 30 June 2015.

Website: www.shuionland.com

BUSINESS REVIEW – Executive Summary

Robust sales activities: The Group recorded robust property sales during the first half ended 30 June 2016 (“1H 2016”). Total contracted property sales including residential and commercial property sales and other assets disposal, increased by 410% to RMB16,642 million, compared to RMB3,263 million in the first half of 2015 (“1H 2015”), in which residential property sales accounted for 62% of the total sales. Average Selling Price (“ASP”) increased by 38% to RMB22,500 per square metres (“sq.m.”), compared to RMB16,300 per sq.m. in 1H 2015.

As of 30 June 2016, total locked-in sales (including disposal of commercial properties and contributions from its Dalian associates) was RMB21,325 million, with a total gross floor area (“GFA”) of 717,000 sq.m.. These properties are scheduled for delivery in the second half of 2016 (“2H 2016”) and beyond. In addition, as of 30 June 2016, a total GFA of 52,400 sq.m., amounting to a total value of RMB2,938 million was subscribed but not yet contracted.

Major transactions completed in accordance with our asset light strategy: The Group also completed RMB7,791 million of recognised property sales and other assets disposal, including the disposal of 3 Corporate Avenue in Shanghai Taipingqiao, Foshan Lingnan Tiandi Lot 4, and other sales. Going forward, the Group will continue to dispose of its assets at appropriate timings to unlock the value of the Group’s property portfolio as well as to increase asset turnover and capital recycling.

Solid operating performance: For 1H 2016, the Group recorded turnover of RMB1,681 million, with property sales accounting for RMB728 million or 43% of the total, and rental and related income (including income from hotel operations) of RMB795 million representing 47% of total turnover. RMB158 million was contributed by the construction business and other businesses. The decline in turnover was mainly due to less residential completion during the period.

That said, the Group’s operating performance is solid as shown by higher gross and operating profits. Gross profit increased 32% year-on-year to RMB761 million, while operating profit increased 89% year-on-year. Compared with 1H 2015, gross profit margin increased 16 percentage points to 45% in 1H 2016.

In 1H 2016, the Group recorded a net increase in fair value of its remaining investment property portfolio, totalling RMB519 million. Shanghai Rui Hong Xin Cheng (“RHXC”) accounted for a total of RMB420 million or 81% of the total increase, which was mainly contributed by the fair value gain of Hall of the Moon (Ruihong Tiandi Lot 3). A total leasable and saleable GFA of 1,631,000 sq.m. of investment properties held by the Group was carried at valuation, accounting for 26% of the total landbank of the Group (excluding landbank of Dalian associates).

Net profit declined mainly due to lower fair value gain, and exchange loss: Profit for the period was RMB1,128 million in 1H 2016 compared to RMB1,535 million in 1H 2015. Profit attributable to shareholders was RMB768 million in 1H 2016, compared to RMB1,195 million in 1H 2015. The lower profit was mainly due to i) the decrease in fair value gain of investment properties by approximately 81% to RMB519 million in 1H 2016, as compared to RMB2,797 million in 1H 2015. The higher fair value gain in 1H 2015 was driven by realisation of the disposal value of 1 & 2 Corporate Avenue; ii) exchange loss (both realised and unrealised) of RMB350 million as a result of the depreciation of RMB.

The Group’s core earnings was RMB1,321 million in 1H 2016 backed by the substantial contribution from the disposal of 3 Corporate Avenue in Shanghai. To unlock the value of its portfolio, the Group will continue to explore opportunities to dispose of its commercial properties.

Strengthening balance sheet: The Group’s total assets as of 30 June 2016 were RMB118,914 million, with total cash and bank deposits were RMB11,316 million and the net gearing ratio of 75%, a decrease of 6% over 31 December 2015 and 12% decline over 30 June 2015.

Property Sales

Recognised Property Sales and Other Assets Disposal

The table below summarises by project the recognised sales (stated after the deduction of business/value-added tax and other surcharges/taxes, if applicable) for 1H 2016 and 1H 2015:

Project	1H 2016			1H 2015		
	Sales revenue	GFA sold	ASP ¹	Sales revenue	GFA sold	ASP ¹
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
3 Corporate Avenue	5,700	87,300	65,300	-	-	-
THE HUB Hotel	-	-	-	910	45,000	21,400
Shanghai RHXC						
Residential	4	100	42,400	101	2,000	53,500
Retail	47	1,000	49,800	-	-	-
Shanghai KIC						
Small Office	-	-	-	3	100	31,800
Residential	-	-	-	8	200	42,400
KIC Corporate Avenue Office	-	-	-	43	1,500	30,400
Wuhan Tiandi						
Site B Retail	-	-	-	13	300	45,900
Chongqing Tiandi						
Residential ²	141	16,500	11,000	331	35,200	12,100
Office & Retail	56	1,900	31,100	54	2,500	22,900
Foshan Lingnan Tiandi						
Townhouses	26	1,300	20,800	118	4,800	26,100
Low/mid/high-rises	430	37,000	12,300	106	7,900	14,200
Retail	36	1,100	34,500	36	500	76,400
Other Assets Disposal (Lot 4)	1,693	231,500	7,300	-	-	-
Subtotal	8,133	377,700	21,600	1,723	100,000	18,300
Carparks and others	46	-	-	178	-	-
Dalian Tiandi³						
Mid-/high-rises	330	44,700	7,800	127	14,400	9,400
Villas	10	1,100	10,000	16	1,300	13,100
Total	8,519	423,500	20,300	2,044	115,700	18,700
Recognised as:						
- property sales in turnover of the Group ⁴	728	57,200	13,500	951	53,000	19,000
- disposal of investment properties ⁴	58	1,700	36,500	40	2,000	21,200
- disposal of hotel properties	-	-	-	910	45,000	21,400
- disposal of equity in subsidiaries						
holding commercial properties	5,700	87,300	65,300	-	-	-
- other assets disposal	1,693	231,500	7,300	-	-	-
- turnover of associates	340	45,800	7,900	143	15,700	9,700
Total	8,519	423,500	20,300	2,044	115,700	18,700

¹ The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of business/value-added tax and other surcharges/taxes.

² ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

³ Dalian Tiandi is a project developed by associates of the Group.

⁴ 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".

For 1H 2016, total recognised property sales, including property sales recognised as turnover, disposal of investment properties, disposal of equity in subsidiaries holding commercial properties, other assets disposal and turnover of associates, was RMB8,519 million (after deduction of business/value-added tax and other surcharges/taxes, if applicable), representing an increase of 317% for a total GFA of 423,500 sq.m.. ASP increased by 9 % to RMB20,300 per sq.m. compared to 1H 2015. The changes were mainly due to contribution from the disposal of 3 Corporate Avenue in Shanghai.

Property sales recognised as turnover (after deduction of business/value-added tax and other surcharges/taxes, if applicable) decreased by 23% to RMB728 million, on a total GFA sold of 57,200 sq.m.. ASP decreased by 29% to RMB13,500 per sq.m. The decrease in ASP was mainly due to changes in the composition of recognised properties sales from different projects.

Property sales recognised as disposal of investment properties was RMB58 million, with a total GFA of 1,700 sq.m..

Property sales recognised as disposal of equity in subsidiaries holding commercial properties amounting to RMB5,700 million were contributed by the *en-bloc* sales of 3 Corporate Avenue in Shanghai Taipingqiao with a total GFA of 87,300 sq.m..

Property sales recognised as other assets disposal amounted to RMB1,693 million in Foshan Lingnan Tiandi for a total GFA of 231,500 sq.m.

Recognised property sales for Dalian Tiandi stood at RMB340 million, and its related profit or loss was reflected in the share of losses of associates and joint ventures, to the extent of the Group's interest in the project.

Contracted Property Sales and Other Assets Disposal

The table below provides an analysis by project of contracted sales (stated before the deduction of business/ value-added tax and other surcharges/taxes) for 1H 2016 and 1H 2015:

Project	1H 2016			1H 2015		
	Contracted amount	GFA sold	ASP	Contracted amount	GFA sold	ASP
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao						
Lakeville Luxe (Lot 116)	2,107	15,900	132,500	-	-	-
Shanghai RHXC	5,363	64,700	82,900	4	70	57,100
Wuhan Tiandi						
Site B Residential	1,451	45,600	31,800	975	29,900	32,600
Chongqing Tiandi						
Residential ¹	683	72,400	11,500	741	81,700	11,100
Foshan Lingnan Tiandi						
Townhouses	-	-	-	55	2,300	23,900
Low-/mid-/high-rises	344	26,600	12,900	324	27,000	12,000
Dalian Tiandi²						
Mid-/high-rises	348	43,400	8,000	237	26,900	8,800
Villas	17	1,500	11,300	18	1,500	12,000
Carparks and others	21	-	-	181	-	-
Subtotal for residential property sales	10,334	270,100	38,300	2,535	169,370	15,000
Commercial property sales:						
Shanghai KIC						
1-2 KIC Corporate Avenue (en-bloc)	-	-	-	601	22,800	26,400
Office	-	-	-	24	760	31,600
Wuhan Tiandi						
3 Corporate Avenue (Lot A3 Office)	1,134	55,100	20,600	-	-	-
Lot A1 (Office)	3,365	177,100	19,000	-	-	-
Site B Retail	-	-	-	14	290	48,300
Chongqing Tiandi						
Office	58	4,600	12,600	-	-	-
Retail	10	500	20,000	48	1,700	28,200
Foshan Lingnan Tiandi						
Retail	36	1,300	27,700	-	-	-
Kindergarten	-	-	-	41	5,800	7,100
Carparks and others	12	-	-	-	-	-
Subtotal for commercial property sales	4,615	238,600	19,300	728	31,350	23,200
Other assets disposal:						
Foshan Lingnan Tiandi (Lot 4)	1,693	231,500	7,300	-	-	-
Grand total	16,642	740,200	22,500	3,263	200,720	16,300

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

² Dalian Tiandi is a project developed by associates of the Group.

The Group's contracted property sales and other assets disposal of the Group jumped 410% to RMB16,642 million in 1H 2016, compared to RMB3,263 million in 1H 2015. Residential property sales accounted for 62%, commercial property sales accounted for 28% and the remaining 10% was contributed by other assets disposal. ASP increased by 38% to RMB22,500 per sq.m. in 1H 2016, compared to RMB16,300 per sq.m. in 1H 2015.

Contracted property sales from residential properties and car parks (including those from Dalian associates) was RMB10,334 million, an increase of 308% over RMB2,535 million in 1H 2015. The increase was mainly due to increased contributions by residential properties sales from the Shanghai projects, which amounted to RMB7,470 million in 1H 2016, compared to RMB4 million in 1H 2015. This included the successful new launches of the second batch of The Upper (Lot 9) and the first batch of The Gallery (Lot 2) at Shanghai RHXC as well as the second and third batches of Lakeville Luxe at Shanghai Taipingqiao (Lot 116). Sales performance of Wuhan and Dalian also picked up, riding on the stimulus policies announced by the Central Government of China, including the relaxation of Home Purchase Restriction Policies and interest rate cuts since mid-2015. Contracted residential property sales in Wuhan and Dalian in 1H 2016 increased by 49% and 43% respectively, compared to 1H 2015.

ASP of Shanghai RHXC in 1H 2016 reached RMB82,900 per sq.m., an increase of 45% compared to 1H 2015. ASP of Wuhan Tiandi residential apartments remained stable. Units of Wuhan Tiandi residential apartments sold in 1H 2016 comprised mainly non river-facing apartments, while the units sold in 1H 2015 were mainly river-facing apartments. The ASPs of Foshan and Chongqing picked-up in 1H 2016, an improvement from 1H 2015 levels.

In 1H 2016, contracted commercial property sales comprising a total GFA of 238,600 sq.m. amounted to RMB4,615 million, an increase of 534% compared to RMB728 million in 1H 2015. This included two office buildings located at Lots A1 and A3 at Wuhan Tiandi with an estimated saleable GFA of 232,200 sq.m. for office use, which were disposed for RMB4,499 million.

In addition to the contracted property sales and other assets disposal outlined above, as of 30 June 2016, a total GFA of 52,400 sq.m., amounting to a total value of RMB2,938 million, was subscribed but not yet contracted. They were mainly contributed by the two Shanghai projects, namely RHXC The Upper and The Gallery, which accounted for RMB1,681 million, and Shanghai Taipingqiao Lakeville Luxe, which accounted for RMB831 million of subscribed sales.

Residential GFA Available for Sale and Pre-sale in 2H 2016

The Group has approximately 362,600 sq.m. of residential GFA spanning six projects, available for sale and pre-sale during 2H 2016, as summarised below:

Project		Available for sale and pre-sale in 2H 2016
		GFA in sq.m.
<i>Shanghai Taipingqiao</i>	Lakeville Luxe (Lot 116) (High-rises)	68,700
<i>Shanghai RHXC</i>	High-rises	87,400
<i>Wuhan Tiandi</i>	High-rises	4,300
<i>Chongqing Tiandi</i>	High-rises	89,300
<i>Foshan Lingnan Tiandi</i>	Townhouses and Low-/high-rises	14,200
<i>Dalian Tiandi</i>	Villas, Mid-/high-rises and Service Apartments	98,700
<i>Total</i>		<u>362,600</u>

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

Property Development Progress

Property Completed in 1H 2016 and Development Plans for 2H 2016 and 2017

The table below summarises the projects with construction completed in 1H 2016 and construction work that is planned for completion in 2H 2016 and 2017:

Project	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Subtotal sq.m.	Clubhouse, carpark and other facilities sq.m.	Total sq.m.
Actual delivery in 1H 2016							
Foshan Lingnan Tiandi	-	-	2,000	-	2,000	-	2,000
Dalian Tiandi ¹	47,000	-	-	-	47,000	-	47,000
Total	47,000	-	2,000	-	49,000	-	49,000
Planned for delivery in 2H 2016							
Shanghai Taipingqiao	45,000	-	-	-	45,000	-	45,000
Shanghai RHXC	189,000	-	3,000	-	192,000	76,000	268,000
Shanghai KIC	-	-	-	22,000	22,000	-	22,000
Wuhan Tiandi	89,000	55,000	114,000	-	258,000	149,000	407,000
Chongqing Tiandi	133,000	14,000	15,000	-	162,000	81,000	243,000
Dalian Tiandi ¹	31,000	-	13,000	-	44,000	30,000	74,000
Total	487,000	69,000	145,000	22,000	723,000	336,000	1,059,000
Planned for delivery in 2017							
Shanghai Taipingqiao	43,000	-	-	-	43,000	-	43,000
Wuhan Tiandi	41,000	-	71,000	-	112,000	78,000	190,000
Chongqing Tiandi	111,000	-	14,000	-	125,000	53,000	178,000
Dalian Tiandi ¹	26,000	29,000	1,000	13,000	69,000	51,000	120,000
Total	221,000	29,000	86,000	13,000	349,000	182,000	531,000

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

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

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

Shanghai Taipingqiao

Construction work on Lakeville Luxe (Lot 116) with a total GFA of 88,000 sq.m. commenced in the second half of 2014 (“2H 2014”). The first batch of pre-sales launched in December 2015 and the second and third batches were successfully launched in 1H 2016. The development is planned for progressive completion from late 2016 to 2017.

Shanghai RHXC

The Upper (Lot 9), with a total GFA of 85,000 sq.m. of residential apartments and 2,000 sq.m. of ancillary retail, commenced construction in 2H 2014 and the first batch of units were launched for pre-sale in October 2015 at an ASP of RMB71,000 per sq.m. while the remaining units were launched for pre-sales in February 2016 at an ASP of RMB80,000 per sq.m.. The development is scheduled for completion and delivery from 2H 2016 to 2017. The Gallery (Lot 2), with a total GFA of 104,000 sq.m. of residential apartments and 1,000 sq.m. of ancillary retail, the first batch was launched for pre-sales in June 2016 at an ASP of RMB94,000 per sq.m. and is scheduled for completion in late 2016 and delivery from 2017. Hall of the Moon (Ruihong Tiandi Lot 3) with a total GFA of 64,000 sq.m. was completed in December 2015. Its opening is planned for late 2016.

Shanghai KIC

A hotel building located at Lot 311 with a total GFA of 22,000 sq.m. is under construction and is scheduled for completion in 2H 2016.

Wuhan Tiandi

Construction of HORIZON at Wuhan Tiandi, a shopping mall at Lots A1/A2/A3 with a total GFA of 114,000 sq.m. and 3 Corporate Avenue (Lot A3), with a total GFA of 55,000 sq.m. of office, are under construction and are scheduled for completion in 2H 2016. Construction work for the residential development at La Riva (Lot B14) at Wuhan Tiandi, which has a total GFA of 89,000 sq.m., commenced in 2014 and is planned for completion in 2H 2016.

Construction work of Park View (Lot B5) for a total GFA of 41,000 sq.m. of residential apartments commenced in 2015 and is scheduled for completion in 2017. Park Place (Lot B4/5 Retail) with a total GFA of 71,000 sq.m. of retail, also commenced construction in 2015 and is planned for completion in 2017.

Chongqing Tiandi

The Riviera VI stage 2 (Lot B16 stage 2) and The Riviera VII (Lot B9), with an aggregated GFA of 162,000 sq.m., are currently under construction and are scheduled for completion in 2H 2016. The Riviera VIII (Lot B6) with a total GFA of 125,000 sq.m. commenced construction in 2015 and is scheduled for completion in 2017.

Foshan Lingnan Tiandi

Construction work at NOVA shopping mall at Lot E with a GFA of 73,000 sq.m. of retail and 15,000 sq.m. of office was completed in 2015. The shopping mall commenced operation in 1H 2016.

Dalian Tiandi

At Huangnichuan (Site C of Dalian Tiandi), a total of 168,000 sq.m. are under construction scheduled for completion from 2H 2016 to 2020. At Hekou Bay (Site A of Dalian Tiandi), a total GFA of 125,000 sq.m. are under construction, and planned for progressive completion from 2H 2016 to 2018.

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

Investment Property

Rental and related income (including income from hotel operations) increased by 3% to RMB795 million in 1H 2016 compared to 1H 2015. Excluding the income from hotel operations, the sum of RMB759 million was generated by rental and related income from the investment properties, representing a growth rate of 27% if excluding the rental & related income contribution of 1 & 2 Corporate Avenue which was disposed in 2015. The increase reflected continued leasing progress made at the progressively commenced operations of THE HUB at Shanghai Hongqiao Transportation Hub and Shanghai KIC, as well as rental growth from the existing completed investment property portfolio.

Occupancy levels of the office property portfolio increased, driven by leasing activity at the office properties of THE HUB and Shanghai KIC, reflecting progress made following their completion and transferred to the completed investment property portfolio in late 2014. In particular, the combined occupancy rate of the four office towers of THE HUB reached 91% as of 30 June 2016. Key new leases executed during the 1H 2016, include Naked Retreat, Lion Travel and ANTA Sport Products.

Occupancy levels of the completed retail portfolio also increased, led by robust leasing activities at THE HOUSE of Shanghai Taipingqiao and NOVA at Foshan Lingnan Tiandi. Occupancy rates of these two operating properties had reached 96% and 73% respectively, with tenants progressively moving in since late 2015. A majority of the tenants have since commenced operations in 1H 2016. The asset enhancement initiative (“AEI”) project for THE HOUSE, which has a leasable GFA of 7,000 sq.m., was completed in late 2015 and its anchor tenant Naked Hub, commenced its lease in June 2016. NOVA, a shopping mall with a total leasable GFA of 73,000 sq.m. can accommodate over 150 shops. The shopping mall offers a wide tenants mix and its anchor tenants such as UA Cinema, blt Supermarket, H&M, GAP, Eat’n Fun Food Court, and EF Education First.

Rental income and the related profit or loss from investment properties located in Dalian Tiandi was reflected in the share of losses of associates and joint ventures, to the extent of the Group’s interest in the project.

The table below provides an analysis of the rental and related income from investment properties for 1H 2016, 1H 2015 and 1H 2014, and the percentage of leases in GFA by property with lease expiring from 2H 2016 to 2018:

Project	Product	Leasable	Rental & related income			Period on		Leases expire in		
		GFA	RMB'million			period		% of GFA		
		sq.m.	1H	1H	1H	1H	1H	2H	2017	2018
			2016	2015	2014	2016	2015	2016		
Shanghai Taipingqiao										
Shanghai Xintiandi	Office/ Retail	54,000	164	148	147	11%	1%	10%	14%	25%
Xintiandi Style	Retail	26,000	40	37	33	8%	12%	17%	35%	21%
1 & 2 Corporate Avenue ¹	Office/ Retail	-	-	136	121	-	12%	-	-	-
3 Corporate Avenue ²	Office/ Retail	87,000	15	4	-	275%	-	-	-	-
Shui On Plaza ³	Office/ Retail	52,000	75	70	61	7%	15%	2%	71%	13%
Langham Xintiandi Hotel	Retail	-	-	-	7	-	-	-	-	-
Retail Portion ⁴										
THE HUB	Office/ Retail	244,000	125	80	15	56%	433%	1%	3%	11%
Shanghai RHXC ⁵	Retail	64,000	38	35	31	9%	13%	4%	18%	17%
Shanghai KIC ³	Office/ Retail	219,000	166	115	104	44%	11%	13%	19%	30%
Hangzhou Xihu Tiandi ⁴	Retail	-	-	-	8	-	-	-	-	-
Wuhan Tiandi	Retail	46,000	55	43	33	28%	30%	20%	14%	19%
Chongqing Tiandi	Retail	134,000	23	22	17	5%	29%	0%	3%	9%
Foshan Lingnan Tiandi	Retail	139,000	58	46	37	26%	24%	5%	5%	5%
Total		1,065,000 ^{4,5}	759	736	614	3%	20%	7%	15%	17%

¹ 1 & 2 Corporate Avenue were disposed on 31 August 2015.

² 3 Corporate Avenue was disposed of on 2 February 2016 and therefore only approximately one month rental and related income was recognised and reflected.

³ A total GFA of 14,000 sq.m. was occupied as offices by the Group. They are located at Shanghai Shui On Plaza (8,000 sq.m.) and Shanghai KIC (6,000 sq.m.).

⁴ Shanghai Langham Xintiandi Hotel Retail Portion and Hangzhou Xihu Tiandi were disposed of in 2014 and excluded from leasable GFA calculation in this table.

⁵ Hall of the Moon at Shanghai RHXC with a total GFA of 64,000 sq.m. was newly completed in December 2015. It is currently under pre-leasing for operation in late 2016. It was excluded in the table for comparison because there was no contribution to rental and related income in 1H 2016.

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

Project	Leasable GFA (sq.m.)			Occupancy rate		Group's interest
	Office	Retail	Total	30 June 2016	31 December 2015	
Completed before 2016						
Shanghai Taipingqiao						
Shanghai Xintiandi	4,000	43,000	47,000	98%	99%	78.11%
THE HOUSE	-	7,000	7,000	96%	N/A	78.11%
Xintiandi Style	-	26,000	26,000	99%	99%	77.33%
Shanghai Shui On Plaza	32,000	28,000	60,000	98%	96%	62.49% ¹
THE HUB						
Office Towers 1, 2, 3 & 5	93,000	4,000	97,000	91%	80%	78.11%
The Mall and Xintiandi ²	-	147,000	147,000	74%	69%	78.11%
Shanghai RHXC						
The Palette 1, 2, 3 and 5	-	45,000	45,000	100%	96%	99.00% ³
Hall of the Stars (Ruihong Tiandi Lot 6)	-	19,000	19,000	92%	96%	99.00%
Hall of the Moon (Ruihong Tiandi Lot 3) ⁴	-	64,000	64,000	0%	N/A	99.00%
Shanghai KIC						
1-3 and 5-12 KIC Plaza	95,000	42,000	137,000	92%	94%	86.80%
KIC Village R1 and R2	11,000	11,000	22,000	92%	98%	86.80%
5,6 and 7 KIC Corporate Avenue	53,000	8,000	61,000	78%	74%	99.00%
KIC Village 12-8	5,000	-	5,000	100%	N/A	86.80%
Wuhan Tiandi						
Wuhan Xintiandi	-	46,000	46,000	98%	97%	78.11%
Chongqing Tiandi						
The Riviera I, II & III	-	6,000	6,000	100%	88%	99.00%
Chongqing Tiandi (Lot B3/01)	-	49,000	49,000	79%	63%	99.00%
2 Corporate Avenue Retail	-	11,000	11,000	100%	100%	99.00%
6, 7 and 8 Corporate Avenue Retail	-	68,000	68,000	84%	76%	99.00%
Foshan Lingnan Tiandi						
Lingnan Tiandi (Phase 1 & 2)	-	49,000	49,000	83%	85%	100.00%
NOVA	-	73,000	73,000	73%	N/A	100.00%
Shui On New Plaza (Lot D retail podium)	-	15,000	15,000	2%	2%	100.00%
Dalian Tiandi						
Aspen and Maple Towers (Site D22)	42,000	-	42,000	73%	79%	48.00%
Acacia and Lynwood Towers (Site D14)	52,000	-	52,000	77%	77%	48.00%
Ambow (Training School)	113,000	-	113,000	100%	100%	48.00%
IT Tiandi (D10 Retail)	-	41,000	41,000	53%	59%	48.00%
Subtotal	500,000	802,000	1,302,000			
New completions in 1H 2016						
Foshan Lingnan Tiandi						
Lot E Metro Corridor	-	2,000	2,000			100.00%
Subtotal	-	2,000	2,000			
As of 30 June 2016, investment properties held by:						
- Subsidiaries of the Group	293,000	763,000	1,056,000			
- Associated companies	207,000	41,000	248,000			
Total leasable GFA as of 30 June 2016	500,000	804,000	1,304,000⁵			
Total leasable GFA as of 31 December 2015	554,000	815,000	1,369,000⁵			

¹ The Group has a 62.49% interest in Shui On Plaza, except for an additional GFA of 2,000 sq.m. acquired in 2015, which the Group has an effective interest of 78.11%.

² Including retail space in the basement.

³ The Group has 99.0% in The Palette 2, 3 & 5 and 100% interest in The Palette 1.

⁴ Hall of the Moon at Shanghai RHXC with a total GFA of 64,000 sq.m. was newly completed in December 2015. It is currently under pre-leasing for operation in late 2016.

⁵ Self-use properties are classified as property, plant and equipment in the consolidated statement of financial position.

The table below summarises the carrying value of the remaining investment properties at valuation as of 30 June 2016 together with the change in fair value for 1H 2016:

Project	Leasable GFA sq.m.	Increase /(decrease) in fair value for 1H 2016 RMB' million	Carrying value as of 30 June 2016 RMB' million	Carrying value per GFA RMB per sq.m.	Valuation gain /(loss) to carrying value %
Completed investment properties at valuation					
<i>Shanghai Taipingqiao</i>					
Shanghai Xintiandi and Xintiandi Style	80,000	15	7,179	89,700	-
Shui On Plaza	52,000	-	3,481	66,900	-
THE HUB	244,000	46	8,482	34,800	1%
Shanghai RHXC	144,000	420	4,663	32,400	9%
Shanghai KIC	219,000	78	6,690	30,500	1%
Wuhan Tiandi	46,000	53	1,699	36,900	3%
Chongqing Tiandi	134,000	(68)	1,783	13,300	(4%)
Foshan Lingnan Tiandi	139,000	15	4,137	29,800	-
Subtotal	1,058,000	559	38,114	36,000	1%
Investment properties under development at valuation					
Wuhan Tiandi	185,000	32	3,829	20,700	1%
Chongqing Tiandi	388,000	(72)	1,957	5,000	(4%)
Subtotal	573,000	(40)	5,786	10,100	(1%)
Total of the remaining investment properties at valuation	1,631,000	519	43,900	26,900	1%

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

The carrying value of the completed investment properties (excluding hotels for operation and self-use properties) with a total GFA of 1,058,000 sq.m. was RMB38,114 million as of 30 June 2016. Of this sum, RMB559 million (representing 1% of the carrying value) arose from increased fair value during 1H 2016. A contributing factor was primarily due to the newly completed property in late 2015 - Hall of the Moon at Shanghai RHXC, with a total leasable GFA of 64,000 sq.m. which is currently under pre-leasing for commencement of operations in late 2016. The properties located in Shanghai, Wuhan, Chongqing and Foshan, respectively contributed 80%, 4%, 5% and 11% of the carrying value.

The carrying value of the investment properties under development at valuation for a total GFA of 573,000 sq.m. was RMB5,786 million as of 30 June 2016.

Except for the above mentioned investment properties at valuation, the carrying value of the investment properties under development and for further development at cost was RMB12,383 million.

Landbank

As of 30 June 2016, the Group's landbank, including the contribution of its Dalian associates, stood at a total GFA of 11.3 million sq.m. (comprising 9.0 million sq.m. of leasable and saleable area, and 2.3 million sq.m. for clubhouses, car parking spaces and other facilities) spread across eight development projects located in the prime areas of five major PRC cities, namely: Shanghai, Wuhan, Chongqing, Foshan and Dalian.

Of the total leasable and saleable GFA of 9.0 million sq.m., the sum of 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 3.3 million sq.m. was under development, and the remaining 4.2 million sq.m. was held for future development.

Relocation of Shanghai RHXC and Taipingqiao

The relocation of RHXC Lots 10, 1 & 7 is in progress. 99%, 97% and 94% of residents in Lot 10, Lot 1 and Lot 7, have signed relocation agreements respectively as of 30 June 2016. Lots 1 and 7 will be developed into high-end residential apartments and Lot 10 will be developed into a commercial complex with two Grade-A office buildings and a shopping mall. As of 30 June 2016, a total amount of RMB10,370 million had been paid. The estimated outstanding relocation cost of RMB1,160 million is estimated to be paid progressively in 2016 and 2017. The relocation of these three sites is planned to be completed from 2016 to 2017.

The relocation of Taipingqiao Lot 118 started in the fourth quarter of 2014 and 99% of residents had signed relocation agreement as of 30 June 2016. As of 30 June 2016, relocation cost of RMB4,800 million had been paid. The estimated outstanding relocation cost of RMB500 million is estimated to be paid progressively in 2016 and 2017. Lot 118 is planned to be developed into a high-end residential apartments.

Relocation plans and the timetable for the remaining 416,000 sq.m. and 230,000 sq.m. of GFA located at Shanghai Taipingqiao and RHXC, respectively, have yet to be determined. 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 2016	Leasable and saleable GFA sq.m.	Relocation cost paid as of 30 June 2016 RMB'million	Estimated outstanding relocation cost as of 30 June 2016 RMB'million	Estimated relocation completion year
RHXC Lot 10	99%	328,000	2,571	360	2016-2017
RHXC Lot 1 (Residential)	97%	110,000	3,899	400	2017
RHXC Lot 7 (Residential)	94%	159,000	3,900	400	2017
Taipingqiao Lot 118 (Residential)	99%	80,000	4,800	500	2016-2017
Total		677,000	15,170	1,660	

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

The Group's total landbank as of 30 June 2016, including that of its associates, is summarised below:

Approximate/Estimated leasable and saleable GFA					Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
Project	Residential	Office	Retail	Hotel/ serviced apartments				
	sq.m.	sq.m.	sq.m.	sq.m.				
					sq.m.	sq.m.	sq.m.	%
Completed properties:								
Shanghai Taipingqiao	-	36,000	104,000	-	140,000	59,000	199,000	99.00% ¹
Shanghai RHXC	-	-	128,000	16,000	144,000	94,000	238,000	100.00% ²
Shanghai KIC	-	169,000	64,000	-	233,000	152,000	385,000	86.80% ³
THE HUB	-	93,000	170,000	-	263,000	72,000	335,000	78.11%
Wuhan Tiandi	-	-	46,000	-	46,000	25,000	71,000	78.11%
Chongqing Tiandi	6,000	-	144,000	-	150,000	164,000	314,000	99.00%
Foshan Lingnan Tiandi	22,000	15,000	158,000	43,000	238,000	174,000	412,000	100.00%
Dalian Tiandi	69,000	207,000	41,000	-	317,000	154,000	471,000	48.00% ⁴
Subtotal	97,000	520,000	855,000	59,000	1,531,000	894,000	2,425,000	
Properties under development:								
Shanghai Taipingqiao	168,000	-	-	-	168,000	39,000	207,000	99.00% ¹
Shanghai RHXC	456,000	145,000	188,000	-	789,000	203,000	992,000	99.00%
Shanghai KIC	-	-	-	22,000	22,000	-	22,000	99.00%
Wuhan Tiandi	130,000	187,000	185,000	45,000	547,000	243,000	790,000	100.00%
Chongqing Tiandi	383,000	291,000	151,000	25,000	850,000	312,000	1,162,000	99.00%
Foshan Lingnan Tiandi	-	-	7,000	-	7,000	-	7,000	100.00%
Dalian Tiandi	413,000	206,000	188,000	143,000	950,000	317,000	1,267,000	48.00% ⁴
Subtotal	1,550,000	829,000	719,000	235,000	3,333,000	1,114,000	4,447,000	
Properties for future development:								
Shanghai Taipingqiao	86,000	174,000	118,000	38,000	416,000	44,000	460,000	99.00%
Shanghai RHXC	83,000	69,000	78,000	-	230,000	2,000	232,000	100.00%
Wuhan Tiandi	243,000	166,000	91,000	7,000	507,000	4,000	511,000	100.00%
Chongqing Tiandi	289,000	143,000	181,000	50,000	663,000	202,000	865,000	99.00%
Foshan Lingnan Tiandi	147,000	450,000	107,000	80,000	784,000	2,000	786,000	100.00%
Dalian Tiandi ⁵	394,000	867,000	262,000	42,000	1,565,000	-	1,565,000	48.00%
Subtotal	1,242,000	1,869,000	837,000	217,000	4,165,000	254,000	4,419,000	
Total landbank GFA	2,889,000	3,218,000	2,411,000	511,000	9,029,000	2,262,000	11,291,000	

¹ The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, Xintiandi Style, Shui On Plaza and Lot 116, in which the Group has an effective interest of 78.11%, 77.33%, 62.49% and 56.7456%, respectively. The Group acquired an additional GFA of 2,000 sq.m. in Shui On Plaza in 2015 in which the Group has an effective interest of 78.11%.

² The Group has a 100.0% effective interest in RHXC Phase 1, Lot 167A and Lot 167B and 99.0% interest in all remaining phases.

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

⁴ The Group has a 48.0% effective interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02a in which the Group has a 44.72% effective interest.

⁵ Dalian Tiandi is expected to have a landbank of 3.3 million in GFA. As of 30 June 2016, approximately 3.0 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.

Market Outlook

Global economic growth came under renewed downward pressure in the first half of 2016 following a Brexit referendum that threw the United Kingdom and Eurozone's economic outlook into question. Despite a strengthening domestic economy, the Federal Reserve Board has held off on hiking United States interest rates, citing a potential adverse spill over effect from a slowdown of growth momentum in Europe. Political uncertainty from the Brexit vote and continued financial market volatility led the IMF to lower its global economic forecast by 0.1% to 3.1% for 2016, and projected further softening of China's economic growth from 6.7% in the first half to 6.6% for the full year. Faced with immense global economic headwinds and uncertainties, China moves to implement a development strategy encouraging entrepreneurship and innovation with an aim to unleash new growth drivers. The authorities have indicated that cutting excess industrial capacity is a priority and the government will continue to push forward with supply-side structural reform.

The residential property market turned in a strong performance in the first half under looser funding conditions and more accommodative monetary policies. Nationwide housing transactions in the first six months, in terms of area and sales value, registered a year-on-year increase of 28.6% and 44.4%, respectively. Residential land prices rose to RMB5,662 per sq.m. in the second quarter, a 5.7% year-on-year increase, according to Ministry of Land and Resources data. Despite the spectacular performance, there are early signs that the momentum of housing price growth is peaking. In June 2016, 55 out of 70 cities registered month-on-month price increases, which is five fewer than in the previous month. This retreat is expected to continue through the second half unless the PBOC intervenes with an interest rate cut.

In the currency market, the RMB exchange rate has weakened following the Brexit vote in June, dropping to around 6.7 to the US dollar in July, which represents 2.6% devaluation from where it started the year. Given a strengthening US economy, there would be room for the US dollar to strengthen, and the RMB could weaken further as a result.

Shanghai's economy grew by 6.7% in the first half of 2016, with contribution from the tertiary sector rising to 70.8% from 67.8% in the same period in 2015. During this period, 23 multinational companies opened new regional headquarters in the municipality, bringing the total to 558, including 49 multinational companies that have chosen Shanghai as their Asia Pacific headquarters. Talent and capital will continue to be attracted to Shanghai, helped in part by the recent unveiling of the Yangtze River Delta city cluster development plan. The opening of Disneyland in June will also provide a strong boost to the city's tourism industry, fuelling robust growth of dining, entertainment and retail sales.

Chongqing maintained a rapid GDP growth rate of 10.6% in the first half of 2016, with its tertiary sector now accounting for 50.6% of GDP, a notable year-on-year improvement from the 47.7% achieved last year. The municipality is expected to assume a prominent role under China's "Belt and Road" national strategy. According to the 13th Five-Year Plan, Chongqing will benefit from the Central Government's development strategy to enhance economic interaction along the "Chengdu-Chongqing" corridor. This should further solidify Chongqing's position as the leading economic hub in Western China and the upper reaches of the Yangtze River.

Wuhan's GDP growth advanced from 7.0% in the first quarter of this year to 7.6% for the first half of 2016. A number of high-tech industries, including information technology and bio-medicine, registered robust double-digit growth and emerged as new economic drivers. The government has pledged to make further investments to expand its metro system, which should enhance urban connectivity and result in land value appreciation. Wuhan has also introduced a policy to encourage university students to stay and work in the city after graduation in an effort to turn the city into an innovation and entrepreneurship centre with global influence.

Foshan's economy maintained a steady growth rate of 8.1% in the first half of 2016. The city has rolled out a plan to construct seven subway lines by 2020, which will greatly improve its accessibility to Guangzhou. In order to promote population growth, the city has eased its urban residency permit requirements, making it easier for migrant workers to obtain a Foshan "hukou". Migrant workers who purchase a house in Foshan may be granted local residency. Foshan was recognised as a new economy front runner, and was ranked among the top 20 internet technology cities in China according to a "2016 Internet Plus Index" ranking compiled by Tencent Research Institute.

Dalian's economy grew by 5.0% in the first half of 2016, up from 4.2% achieved for full year 2015, with secondary and tertiary sector growth coming in at 4.6% and 5.6%, respectively. Foreign direct investment grew by 4.9% to USD1.83 billion during the first six months, and a number of multinational corporations including Intel, Bosch, Toshiba and Panasonic indicated a continued interest to invest in Dalian. The housing market staged a recovery in the first half of the year, with total transaction area rising 22.3% to 1.29 million sq.m. and home prices increasing 4.3% to RMB 11,777 per sq.m. compared with the same period last year.

Immense uncertainties in the global economy have weighed on China's growth momentum. The authorities are vigilant in monitoring the risks and potential threats with an eye on maintaining relatively stable domestic growth. The current regional development trend points to divergent growth patterns across city tiers. Tier-one and regional hub cities with positive population dynamics and continued improvement in urban transportation infrastructure will tend to outperform. With land prices rapidly escalating and property transactions showing signs of softening, our land banking strategy will be prudent and focused on cities that have promising potential related to the new economic growth engines of innovation and entrepreneurship.

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended		Six months ended	
		30 June 2016	(Unaudited)	30 June 2015	(Unaudited)
		HKD'million (Note 2)	RMB'million	HKD'million (Note 2)	RMB'million
Turnover					
- The Group	4	1,997	1,681	2,564	2,027
- Share of associates		232	195	109	86
		<u>2,229</u>	<u>1,876</u>	<u>2,673</u>	<u>2,113</u>
Turnover of the Group	4	1,997	1,681	2,564	2,027
Cost of sales		(1,093)	(920)	(1,833)	(1,449)
Gross profit		904	761	731	578
Other income		418	352	248	196
Selling and marketing expenses		(140)	(118)	(87)	(69)
General and administrative expenses		(555)	(467)	(538)	(425)
Operating profit	5	627	528	354	280
Gain on investment properties disposed of		559	471	-	-
Net increase in fair value of the remaining investment properties		617	519	3,538	2,797
Other gains and losses	6	1,356	1,141	(326)	(258)
Share of losses of associates and joint ventures		(169)	(142)	(23)	(18)
Finance costs, inclusive of exchange differences	7	(1,348)	(1,135)	(712)	(563)
Profit before taxation		1,642	1,382	2,831	2,238
Taxation	8	(302)	(254)	(889)	(703)
Profit for the period		<u>1,340</u>	<u>1,128</u>	<u>1,942</u>	<u>1,535</u>
Attributable to:					
Shareholders of the Company		912	768	1,512	1,195
Owners of convertible perpetual securities		-	-	162	128
Owners of convertible perpetual capital securities		65	55	10	8
Owners of perpetual capital securities		196	165	196	155
Non-controlling shareholders of subsidiaries		167	140	62	49
		<u>428</u>	<u>360</u>	<u>430</u>	<u>340</u>
		<u>1,340</u>	<u>1,128</u>	<u>1,942</u>	<u>1,535</u>
Earnings per share	10				
Basic		HKD0.12	RMB0.10	HKD0.19	RMB0.15
Diluted		HKD0.12	RMB0.10	HKD0.15	RMB0.12

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	Six months ended		Six months ended	
	30 June 2016	(Unaudited)	30 June 2015	(Unaudited)
	HKD'million (Note 2)	RMB'million	HKD'million (Note 2)	RMB'million
Profit for the period	1,340	1,128	1,942	1,535
Other comprehensive (expense) income				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	(21)	(17)	(4)	(3)
Fair value adjustments on interest rate swaps designated as cash flow hedges	4	3	(8)	(6)
Fair value adjustments on cross currency swaps designated as cash flow hedges	-	-	(8)	(6)
Reclassification from hedge reserve to profit or loss	4	3	33	26
Other comprehensive (expense) income for the period	(13)	(11)	13	11
Total comprehensive income for the period	1,327	1,117	1,955	1,546
Total comprehensive income attributable to:				
Shareholders of the Company	899	757	1,525	1,206
Owners of convertible perpetual securities	-	-	162	128
Owners of convertible perpetual capital securities	65	55	10	8
Owners of perpetual capital securities	196	165	196	155
Non-controlling shareholders of subsidiaries	167	140	62	49
	428	360	430	340
	1,327	1,117	1,955	1,546

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Non-current assets			
Investment properties		56,283	55,600
Property, plant and equipment		2,251	2,268
Prepaid lease payments		124	128
Interests in associates		562	562
Interests in joint ventures		27	27
Loans to associates		1,872	1,962
Loans to joint ventures		762	2,912
Accounts receivable and prepayments	11	837	504
Amounts due from associates		1,950	1,878
Pledged bank deposits		2,380	2,008
Derivative financial instrument		460	450
Deferred tax assets		590	554
		68,098	68,853
Current assets			
Properties under development for sale		27,288	20,102
Properties held for sale		1,864	2,560
Accounts receivable, deposits and prepayments	11	11,968	10,344
Amounts due from related companies		690	724
Amounts due from joint ventures		3	21
Amounts due from customers for contract work		67	103
Pledged bank deposits		871	981
Restricted bank deposits		1,842	4,281
Bank balances and cash		6,223	3,344
		50,816	42,460
Assets classified as held for sale		-	5,857
		50,816	48,317
Current liabilities			
Accounts payable, deposits received and accrued charges	12	16,445	13,340
Amounts due to related companies		375	310
Amounts due to non-controlling shareholders of subsidiaries		9	11
Tax liabilities		907	1,301
Bank and other borrowings - due within one year		10,985	12,778
Senior notes		2,546	-
Derivative financial instruments		229	37
Liabilities arising from rental guarantee arrangements		365	320
		31,861	28,097
Liabilities associated with assets classified as held for sale		-	1,813
		31,861	29,910
Net current assets		18,955	18,407
Total assets less current liabilities		87,053	87,260

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	<i>Notes</i>	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Capital and reserves			
Share capital	13	145	145
Reserves		36,954	36,500
Equity attributable to shareholders of the Company		37,099	36,645
Convertible perpetual securities		1	16
Convertible perpetual capital securities		1,346	1,346
Perpetual capital securities		3,049	3,050
Non-controlling shareholders of subsidiaries		4,378	5,061
		8,774	9,473
Total equity		45,873	46,118
Non-current liabilities			
Accounts payable and accrued charges	12	2,590	48
Bank and other borrowings - due after one year		19,980	20,559
Senior notes		12,415	14,655
Derivative financial instruments		-	238
Liabilities arising from rental guarantee arrangements		104	370
Deferred tax liabilities		6,060	5,242
Defined benefit liabilities		31	30
		41,180	41,142
Total equity and non-current liabilities		87,053	87,260

1. General

The condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX") and with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

2. Presentation

The Hong Kong dollar figures presented in the condensed consolidated statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.1881 for the six months ended 30 June 2016 and RMB1.000 to HKD1.265 for the six months ended 30 June 2015, being the average exchange rates that prevailed during the respective periods.

3. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 except as described below.

Application of amendments to International Financial Reporting Standards

In the current period, the Group has applied, for the first time, the following new amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for annual periods beginning on 1 January 2016:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 Cycle

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

4. Turnover and Segmental Information

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

Six months ended 30 June (Unaudited)						
	<u>2016</u>			<u>2015</u>		
	The Group	Share of	Total	The Group	Share of	Total
	RMB'million	associates	RMB'million	RMB'million	associates	RMB'million
Property development:						
Property sales	728	163	891	951	69	1,020
Property investment:						
Rental income received from investment properties	691	32	723	692	17	709
Income from hotel operations	36	-	36	35	-	35
Property management fee income	11	-	11	13	-	13
Rental related income	57	-	57	31	-	31
	795	32	827	771	17	788
Construction	122	-	122	273	-	273
Others	36	-	36	32	-	32
Total	1,681	195	1,876	2,027	86	2,113

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

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

4. Turnover and Segmental Information – continued

Six months ended 30 June 2016 (Unaudited)						
	Reportable Segment				Others RMB'million	Consolidated RMB'million
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million		
SEGMENT REVENUE						
External turnover of the Group	728	795	122	1,645	36	1,681
Share of turnover of associates	163	32	-	195	-	195
Total segment revenue	891	827	122	1,840	36	1,876
SEGMENT RESULTS						
Segment results of the Group	199	1,383	(17)	1,565	42	1,607
Interest income						122
Other gains and losses						1,141
Share of losses of associates and joint ventures						(142)
Finance costs, inclusive of exchange differences						(1,135)
Net unallocated expenses						(211)
Profit before taxation						1,382
Taxation						(254)
Profit for the period						1,128

Six months ended 30 June 2015 (Unaudited)						
	Reportable Segment				Others RMB'million	Consolidated RMB'million
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million		
SEGMENT REVENUE						
External turnover of the Group	951	771	273	1,995	32	2,027
Share of turnover of associates	69	17	-	86	-	86
Total segment revenue	1,020	788	273	2,081	32	2,113
SEGMENT RESULTS						
Segment results of the Group	(128)	3,139	(18)	2,993	46	3,039
Interest income						182
Other gains and losses						(258)
Share of losses of associates and joint ventures						(18)
Finance costs, inclusive of exchange differences						(563)
Net unallocated expenses						(144)
Profit before taxation						2,238
Taxation						(703)
Profit for the period						1,535

4. Turnover and Segmental Information - continued

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

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

5. Operating Profit

	Six months ended 30 June	
	2016	2015
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Operating profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	79	71
Release of prepaid lease payments	3	2
Employee benefits expenses		
Directors' emoluments		
Fees	1	1
Salaries, bonuses and allowances	19	19
	<u>20</u>	<u>20</u>
Other staff costs		
Salaries, bonuses and allowances	323	302
Retirement benefits costs	45	19
Share option expenses	1	2
Share award expenses	4	2
	<u>373</u>	<u>325</u>
Total employee benefits expenses	393	345
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	(105)	(79)
	<u>288</u>	<u>266</u>
Cost of properties sold recognised as an expense	589	719
(Reversal of) impairment loss on properties held for sale and properties under development for sale (included in "cost of sales")	(19)	292
Minimum lease payments under operating leases	12	14
Interest income	<u>(122)</u>	<u>(182)</u>

6. Other Gains and Losses

	Six months ended 30 June	
	2016	2015
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Loss arising from rental guarantee arrangements	(97)	(273)
Increase in fair value of call option to buy back an investment property	10	-
Fair value gain on other derivative financial instruments	43	18
Bargain purchase gain from acquisition of subsidiaries	369	-
Gain on deemed disposal of a joint venture	498	-
Loss on disposal of a subsidiary	(15)	-
Gain on sales of beneficial interest in certain properties	327	-
Others	6	(3)
	<u>1,141</u>	<u>(258)</u>

7. Finance Costs, Inclusive of Exchange Differences

	Six months ended 30 June	
	2016	2015
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	990	1,000
Interest on loans from non-controlling shareholders of subsidiaries	-	1
Imputed interest of deferred consideration in relation to acquisition of subsidiaries	72	-
Interest on convertible bonds	-	23
Interest on senior notes	693	766
Net interest expense from cross currency swaps designated as cash flow hedges	-	50
Net interest expense from interest rate swaps designated as cash flow hedges	4	4
Total interest costs	<u>1,759</u>	<u>1,844</u>
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	<u>(986)</u>	<u>(1,284)</u>
Interest expense charged to profit or loss	773	560
Net exchange loss (gain) on bank borrowings and other financing activities	350	(10)
Others	12	13
	<u>1,135</u>	<u>563</u>

Borrowing costs capitalised during the six months ended 30 June 2016 were calculated by applying a capitalisation rate of approximately 5.3% (for the six months ended 30 June 2015: approximately 7.1%) per annum to expenditure on the qualifying assets.

8. Taxation

	Six months ended 30 June	
	2016	2015
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
The People's Republic of China ("PRC") Enterprise Income Tax	87	125
PRC Withholding Tax	4	11
PRC Land Appreciation Tax	(22)	42
Deferred taxation	185	525
	254	703

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 2015: 25%) on the assessable profits of the companies in the Group during the period.

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

9. Dividends

	Six months ended 30 June	
	2016	2015
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
2015 Final dividend declared and paid (2015: 2014 final dividend declared and paid)	190	253
Interim dividend declared in respect of 2016 of HKD0.011 (2015: HKD0.022) per share	76	145

Subsequent to the end of the interim period, the Board has declared the payment of HKD0.011 (equivalent to RMB0.009) per share, amounting to HKD89 million (equivalent to RMB76 million) in aggregate as the interim dividend with respect to 2016.

10. Earnings Per Share

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

	Six months ended 30 June	
	2016	2015
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share, being profit for the period attributable to shareholders of the Company	768	1,195
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities (<i>note (c)</i>)	-	8
Adjustment for convertible perpetual securities	-	(256)
Earnings for the purposes of diluted earnings per share	768	947
	Six months ended 30 June	
	2016	2015
	'million	'million
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>note (a)</i>)	8,002	8,002
Effect of dilutive potential ordinary shares:		
Convertible bonds	-	136
Convertible perpetual capital securities (<i>note (c)</i>)	-	82
Outstanding share awards	18	7
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,020	8,227

Notes:

- (a) The weighted average number of ordinary shares shown above has been arrived at after deducting 24,854,000 shares held by a share award scheme trust.
- (b) There were no dilution effects for outstanding share options and warrants as the exercise prices of each of these share options and warrants were higher than the average market price of the Company's shares per share for the six months ended 30 June 2016 and 30 June 2015.
- (c) There was no dilution effect for the convertible perpetual capital securities ("CPCS") for the six months ended 30 June 2016 as the full conversion of convertible perpetual capital securities into ordinary shares of the Company will not result in a decrease in profit per ordinary share of the Company for the six months ended 30 June 2016.

11. Accounts Receivable, Deposits and Prepayments

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	210	184
Trade receivables	99	86
Prepayments of relocation costs (<i>note</i>)	218	234
Receivables from disposal of a subsidiary	310	-
	<u>837</u>	<u>504</u>
Current accounts receivable comprise:		
Trade receivables	787	806
Receivable arising from disposal of a hotel	193	193
Prepayments of relocation costs (<i>note</i>)	8,758	8,553
Receivables from disposals of subsidiaries	754	-
Receivable from sales of beneficial interest in certain properties	251	-
Other deposits, prepayments and receivables, including prepaid business tax of RMB278 million (2015: RMB242 million)	1,225	792
	<u>11,968</u>	<u>10,344</u>

Note: The amounts represent monies paid to a few relocation agents for clearing the land of the current occupants in respect of a property development project in Shanghai. 86% and 10% (31 December 2015: 86% and 10%) of the total outstanding balance are paid to two of the relocation agents. The amounts will be capitalised to cost of properties under development for sale and investment properties under construction or development as soon as the relocation is completed. Such relocation process in respect of the land portion which will be developed for sale is in accordance with the Group's normal operating cycle and accordingly the related relocation costs are classified as current assets. The amounts are not expected to be realised within twelve months from the end of the reporting period.

Trade receivables comprise:

- (i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sale and purchase agreements;
- (ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and
- (iii) receivables arising from construction revenue of which a credit term of 40 days are granted to the customers.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB886 million (31 December 2015: RMB892 million), of which 42% (31 December 2015: 64%) are aged less than 90 days, and 58% (31 December 2015: 36%) are aged over 90 days, as compared to when revenue was recognised.

12. Accounts Payable, Deposits Received and Accrued Charges

	30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Current portion comprise:		
Trade payables with aging analysis:		
0 – 30 days	2,152	3,099
31 – 60 days	94	187
61 – 90 days	74	110
Over 90 days (<i>note</i>)	1,372	1,480
	3,692	4,876
Relocation cost payable	100	700
Deed tax, value added tax, business tax and other tax payables	435	501
Deposits received and receipt in advance from property sales	11,287	4,552
Deposits received and receipt in advance in respect of rental of investment properties	511	473
Deposits received for disposal of subsidiaries	-	1,768
Other payables and accrued charges	420	470
	16,445	13,340
Non-current portion comprise:		
Deferred consideration for acquisition of subsidiaries	2,554	-
Other payables and accrued charges	36	48
	2,590	48

Note: Amount included retention payables of RMB680 million (31 December 2015: RMB735 million), which are expected to be paid upon the expiry of the retention periods according to the respective contracts.

13. Share Capital

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	Number of shares	USD'000	Number of shares	USD'000
Ordinary shares of USD0.0025 each				
At 1 January 2015	12,000,000,000	30,000	8,001,726,189	20,004
Issue of award shares	-	-	24,854,000	62
Exercise of share options	-	-	50,000	-
At 30 June 2015, 31 December 2015 and 30 June 2016	12,000,000,000	30,000	8,026,630,189	20,066
			30 June 2016 RMB'million (Unaudited)	31 December 2015 RMB'million (Audited)
Shown in the condensed consolidated statement of financial position as			145	145

FINANCIAL REVIEW

The Group's *turnover* for the six months ended 30 June 2016 decreased by 17% to RMB1,681 million (2015: RMB2,027 million), mainly due to a significant decrease in recognised property sales and construction income, which was partially offset by higher rental and related income for the period under review.

Property sales for the six months ended 30 June 2016 decreased 23% to RMB728 million (2015: RMB951 million) as a result of fewer properties delivered, especially in our Shanghai, Wuhan and Chongqing projects. Property sales of our Shanghai, Wuhan and Chongqing projects, decreased to RMB234 million during the period under review (2015: RMB685 million), while property sales of our Foshan project increased to RMB494 million (2015: RMB266 million). Total area handed over to owners increased to 57,200 sq.m. (2015: 53,000 sq.m.). Details of the property sales during the six months ended 30 June 2016 are in the paragraph titled "Property Sales" in the Business Review Section.

Income from property investment increased marginally to RMB795 million (2015: RMB771 million). *Rental and related income* from investment properties for the six months ended 30 June 2016 increased slightly to RMB759 million (2015: RMB736 million), mainly due to higher rental income from existing completed properties and also from the completion of new investment properties including THE HOUSE-Shanghai Xintiandi, THE HUB-Shanghai and NOVA-Foshan Lingnan Tiandi. The increase was offset by the decrease in rental income generated by 1 & 2, 3 Corporate Avenue located in Shanghai Taipingqiao which we sold in August 2015 and February 2016 respectively. *Income from hotel operations*, comprising contributions from our Marco Polo Hotel in Foshan remained stable at RMB36 million for the period under review (2015: RMB35 million). Details on the business performance of investment properties are in the paragraph titled "Investment Property" in the Business Review Section.

Construction income generated by our construction business, decreased to RMB122 million for the six months ended 30 June 2016 (2015: RMB273 million).

Gross profit for the six months ended 30 June 2016 significantly increased by 32% to RMB761 million (2015: RMB578 million), while *gross profit margin* also increased to 45% (2015: 29%). The higher gross profit margin was due to higher margins contributed from income from property investment which accounted for a higher portion of 47% of the Group's turnover (2015: 38%) for the six months ended 30 June 2016.

Other income increased 80% to RMB352 million (2015: RMB196 million), which comprised interest income and government grant.

Selling and marketing expenses increased by 71% to RMB118 million (2015: RMB69 million) and was in line with the increase in contracted sales achieved by the Group (excluding sales by associates, other assets disposal and *en-bloc* sales) by 319% to RMB10,085 million (2015: RMB2,407 million).

General and administrative expenses increased 10% to RMB467 million (2015: RMB425 million). The increase was attributable to additional advisory costs, depreciation charge and staff costs incurred.

As a result of the above, *operating profit* increased 89% to RMB528 million for the six months ended 30 June 2016 (2015: RMB280 million).

Gain on investment properties disposed of represented gains from the disposal of 3 Corporate Avenue located in Shanghai Taipingqiao project, which was disposed during the six months ended 30 June 2016.

Net increase in fair value of the remaining investment properties decreased 81% to RMB519 million (2015: RMB2,797 million), of which RMB559 million gain (2015: RMB2,381 million) was contributed by completed investment properties and RMB40 million loss (2015 gain: RMB416 million) from investment properties under construction or development. The decrease in fair value gain was mainly because we reported RMB2,797 million fair value gain of investment properties where it has taken into account of the actual transacted selling price of 1 and 2 Corporate Avenue in Shanghai Taipingqiao project in 2015. The paragraph titled "Investment Property" in the Business Review Section provides a detailed description of these properties.

Other gains and losses amounted to a gain of RMB1,141 million (2015 loss: RMB258 million), of which RMB867 million one-off gain arose from the acquisition of Shanghai Taipingqiao Lot 116 residential project and RMB327 million gain on sales of beneficial interest in certain properties. This gain was offset by rental guarantee arrangements arising from previously sold commercial properties in Chongqing Tiandi of RMB97 million (2015: RMB 273 million).

Share of losses of associates and joint ventures was RMB142 million for the six months ended 30 June 2016 (2015: RMB18 million), which was mainly from the Dalian Tiandi development.

Finance costs, inclusive of exchange differences, amounted to RMB1,135 million (2015: RMB563 million). Total interest costs decreased to RMB1,759 million (2015: RMB1,844 million). Of these interest costs, 56% (2015: 70%) or RMB986 million (2015: RMB1,284 million) was capitalised as cost of property development, with the remaining 44% (2015: 30%) interest relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. For the six months ended 30 June 2016, the percentage of capitalised interest of the Group's borrowings decreased, and the expense ratio increased as compared with the corresponding period, resulting in the increased finance costs reported. An exchange loss of RMB350 million was recorded as a result of the depreciation of the RMB against the HKD and the USD for the six months ended 30 June 2016, as compared to an appreciation of the RMB for the six months ended 30 June 2015 which generated a gain of RMB10 million.

Notwithstanding the Gross Profit and Operating Profit for the six months ended 30 June 2016 increased year-on-year basis, *profit before taxation* decreased 38% to RMB1,382 million (2015: RMB2,238 million). The decrease in profit before taxation is primarily due to i) a decrease in net increase in fair value of the remaining investment properties; ii) an increase in finance costs (inclusive of exchange differences); and other factors mentioned above.

Taxation decreased 64% to RMB254 million (2015: RMB703 million). The effective tax rate for the six months ended 30 June 2016 was 19% (2015: 30%). Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction.

Profit attributable to shareholders of the Company for the six months ended 30 June 2016 was RMB768 million, a decrease of 36% compared to the corresponding period in 2015 (2015: RMB1,195 million).

Core earnings of the Group are as follows:

	Six months ended 30 June		
	2016	2015	Change
	RMB'million	RMB'million	%
Profit attributable to shareholders of the Company	768	1,195	(36%)
Net increase in fair value of the remaining investment properties	(519)	(2,797)	
Effect of corresponding deferred tax charges	130	699	
Cumulative realised fair value gains of investment properties*	1,556	4,156	
Gain arose from acquisition of subsidiaries	(867)	-	
Share of results of associates			
Fair value losses of investment properties	100	35	
Effect of corresponding deferred tax charges	(25)	(9)	
	375	2,084	(82%)
Non-controlling interests	(42)	38	
	333	2,122	(84%)
Net effect of changes in the valuation of investment properties	333		
Profit attributable to shareholders of the Company before revaluation of the remaining investment properties	1,101	3,317	
Add:			
Profit attributable to owners of convertible perpetual securities	-	128	(100%)
Profit attributable to owners of convertible perpetual capital securities	55	8	588%
Profit attributable to owners of perpetual capital securities	165	155	6%
Core earnings of the Group	1,321	3,608	(63%)

* Cumulative realised fair value gains of investment properties for the six months ended 30 June 2016 are mainly related to completion of the sales of Shanghai Taipingqiao 3 Corporate Avenue while the compared period are mainly related to Shanghai Taipingqiao 1 & 2 Corporate Avenue.

Earnings per share was RMB0.10, which was calculated based on a weighted average of approximately 8,002 million shares in issue during the six months ended 30 June 2016 (2015: RMB0.15, which was calculated based on a weighted average of approximately 8,002 million shares in issue).

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

- Dividends payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company's shares) should not exceed 20% of the Company's consolidated profit for the two most recent semi-annual periods prior to payment of the dividend, unless certain conditions pursuant to the terms of the senior notes have been met.
- In the case where the Company opts to defer the payment of coupons to the owners of perpetual capital securities, no dividend payments should be made to the shareholders of the Company unless all coupons deferred have been paid in full.

The Board has resolved to recommend the payment of a 2016 interim dividend of HKD0.011 per share (2015: HKD0.022 per share).

Major Acquisition and Disposal

- 1) In December 2015, the Group entered into an agreement to dispose of 100% equity interest in Infoshore International Limited (“Infoshore”) and the related shareholders’ loans for an aggregate cash consideration of approximately RMB5,759 million. Infoshore indirectly held 3 Corporate Avenue located in Shanghai Taipingqiao project. The transaction has been completed in February 2016. For details, please refer to the circular issued by the Company dated 31 December 2015.
- 2) In December 2015, the Group entered into an agreement to buyback 60.14% equity interest and the related debt interests in Portspin Limited (“Portspin”) held by Trophy Property GP Limited, as general partner of and on behalf of Trophy Property Development L.P. and its subsidiaries by two installments: the initial installment in relation to 18.04% of the equity interest and related debt interests in Portspin for a cash consideration of USD156 million settled in January 2016 and the final installment in relation to 42.1% of the equity interest and related debt interests in Portspin for a cash consideration of USD407 million to be settled in December 2017. Portspin indirectly owns a residential property (Lot 116) located in Shanghai Taipingqiao project. For details, please refer to the circular issued by the Company dated 29 January 2016.
- 3) In April 2016, the Group entered into an agreement to dispose its entire equity interest in Foshan Yuan Kang Property Development Co. Ltd. (“Foshan Yuan Kang Property”) for an aggregate consideration of RMB1,842 million. Foshan Yuan Kang Property owns several pieces of land in Foshan with a total saleable gross floor area of 231,500 sq.m.. The disposal was completed on 24 June 2016.
- 4) In May 2016, the Group entered into an agreement to dispose 2 office buildings in Wuhan, namely A1 and A3 for an aggregate consideration of RMB3,365 million and RMB1,134 million respectively. For details, please refer to the circular issued by the Company dated 23 June 2016.

Liquidity, Capital Structure and Gearing Ratio

The structure of the Group’s borrowings as of 30 June 2016 is summarised below:

	Total (in RMB equivalent)	Due within one year	Due in more than one year but not exceeding two years	Due in more than two years but not exceeding five years	Due in more than five years
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank and other borrowings – RMB	25,804	7,551	5,115	11,698	1,440
Bank borrowings – HKD	2,840	2,840	-	-	-
Bank borrowings – USD	2,321	594	179	1,548	-
Senior notes – RMB	2,546	2,546	-	-	-
Senior notes – USD	12,415	-	7,482	4,933	-
Total	45,926	13,531	12,776	18,179	1,440

Total cash and bank deposits amounted to RMB11,316 million as of 30 June 2016 (31 December 2015: RMB10,614 million), which included RMB3,251 million (31 December 2015: RMB2,989 million) of deposits pledged to banks and RMB1,842 million (31 December 2015: RMB4,281 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 30 June 2016, the Group’s net debt balance was RMB34,610 million (31 December 2015: RMB37,378 million) and its total equity was RMB45,873 million (31 December 2015: RMB46,118 million). The Group’s net gearing ratio was 75% as of 30 June 2016 (31 December 2015: 81%), calculated on the basis of the excess of the sum of senior notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

During the six months period ended 30 June 2016, the Group refinanced several borrowings from HKD/USD to RMB. As of 30 June 2016, HKD/USD borrowings including senior notes amounted to approximately RMB17,576 million in equivalent, which is around 38% of the total borrowings (31 December 2015: 46%).

Total undrawn banking facilities available to the Group amounted to approximately RMB4,990 million as of 30 June 2016 (31 December 2015: RMB6,256 million).

Pledged Assets

As of 30 June 2016, 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 RMB60,883 million (31 December 2015: RMB65,821 million) to secure the Group's borrowings of RMB25,269 million (31 December 2015: RMB26,717 million).

Capital and Other Development Related Commitments

As of 30 June 2016, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB8,859 million (31 December 2015: RMB13,368 million).

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

The revenue of the Group is denominated in RMB. The RMB senior notes issued in 2014 are also denominated in RMB. As a result, the coupon payments and repayment of the principal amounts of the senior notes issued in 2014 do not expose the Group to any exchange rate risk.

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and CPCS denominated in USD issued in 2014 and 2015. As a result, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 30 June 2016, the Group has not entered into any currency swap hedge.

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.

As at 30 June 2016, the Group had various outstanding loans that bear variable interest linked to 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 ranging from 115% to 125% of the PBOC Prescribed Interest Rate and pay interests at a fixed rate from 7.52% to 7.85%, based on the notional amounts RMB656 million.

In addition, the Group entered into a cross currency swap amounting to RMB2,500 million, which will be due on 26 February 2017. Under this swap, the Group would receive interest at a fixed rate of 6.875% per annum and RMB2,500 million at maturity and pay interest semi-annually at a fixed rate from 5.840% to 5.975% per annum, and USD408 million at maturity.

Save as disclosed above, as of 30 June 2016, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if necessary.

INTERIM DIVIDEND

The Board has declared an interim dividend of HKD0.011 per share (2015: HKD0.022 per share) for the six months ended 30 June 2016, which is payable on or about 23 September 2016 to shareholders whose names appear on the register of members of the Company on 12 September 2016.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 12 September 2016.

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF SECURITIES

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 2016.

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices appropriately in the conduct and growth of its business, and to pursuing the right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with all the applicable code provisions (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and aligns its practices with the latest developments of the CG Code. During the six months ended 30 June 2016, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016, 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2016, the number of employees in the Group was 3,445 (31 December 2015: 3,359); which included the headcount of China Xintiandi at 391 (31 December 2015: 510), the headcount of the property management business at 1,660 (31 December 2015: 1,766). The headcount of the acquired construction and fitting out business was 336 as of 30 June 2016. The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's condensed consolidated statement of financial position as of 30 June 2016, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the period then ended as set out in the preliminary announcement have been extracted from the Group's unaudited condensed consolidated financial statements for the period, which has been reviewed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

APPRECIATION

Our efforts in the past six months have further strengthened our solid footing, on which we can continue to successfully execute our refined strategy. I am excited about the progress and the bright and innovative future it could create for the Group.

I wish to personally thank our staff, directors, partners and investors who have all played important roles in bringing us to where we are. Change is never easy to manage. But, together, we have found a way through and to thrive.

We are in unpredictable economic and political times. The proven skills and dedication of our people give us the ability to weather the storm and emerge stronger and more profitable.

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

Hong Kong, 24 August 2016

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

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

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

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

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

** For identification purposes only*