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SHUI ON LAND

NEW HORIZON

SHUI ON LAND LIMITED

Incorporated in the Cayman Islands with limited liability

STOCK CODE 272

ANNUAL REPORT 2021

CONTENTS

Total landbank GFA

9.4 million sq.m.

The Group's total assets

RMB 113,896 million

Leading player in Shanghai commercial real estates owning GFA of

1.72 million sq.m.

commercial properties

FINANCIAL HIGHLIGHTS

Operating Results for the year ended 31 December

	2021 HKD'million	2020 HKD'million	2021 RMB'million	2020 RMB'million
Revenue	**21,147**	5,172	**17,555**	4,597
Represented by:				
Property development	**16,428**	1,629	**13,638**	1,448
Property investment	**2,721**	2,108	**2,259**	1,874
Construction	**1,006**	778	**835**	691
Property management	**590**	388	**490**	345
Others	**402**	269	**333**	239
Gross profit	**8,641**	2,644	**7,173**	2,350
Increase/(decrease) in fair value of investment properties	**42**	(2,009)	**35**	(1,786)
Profit/(loss) attributable to shareholders of the Company	**1,971**	(833)	**1,636**	(740)
Core earnings of the Group	**1,937**	1,627	**1,608**	1,446
Basic earnings (loss) per share	**HKD24.5 cents**	HKD(10.4) cents	**RMB20.3 cents**	RMB(9.2) cents
Dividend per share				
Interim paid	**HKD0.036**	HKD0.000		
Proposed final	**HKD0.084**	HKD0.000		
Full year	**HKD0.12**	HKD0.000		

Note:

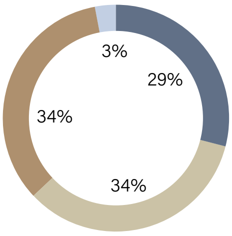
Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.2046 for 2021 and RMB1.000 to HKD1.125 for 2020 being the average exchange rates that prevailed during the respective years.

Financial Position as of 31 December

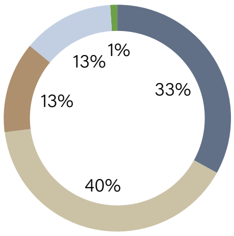
	2021 RMB'million	2020 RMB'million
Total cash and bank deposits	**17,284**	15,796
Total assets	**113,896**	115,475
Total equity	**49,178**	46,733
Total debt	**31,863**	36,859
Bank borrowings	**19,747**	20,283
Senior notes	**12,116**	16,063
Receipts under securitisation arrangements	**–**	513
Net gearing ratio*	**30%**	45%

* Calculated on the basis of the excess of the sum of bank borrowings, senior notes and receipts under securitisation arragements net of the sum of total cash and bank deposits over the total equity.

Landbank as of 31 December 2021



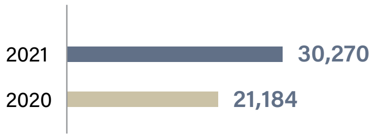
million sq.m.	
Residential	2.0
Office	2.4
Retail	2.4
Hotel/ Serviced Apartments	0.2
Total Leasable and Saleable GFA	7.0
Attributable GFA	4.3



million sq.m.	
Shanghai	2.3
Wuhan	2.8
Chongqing	0.9
Foshan	0.9
Nanjing	0.1
Total Leasable and Saleable GFA	7.0
Attributable GFA	4.3

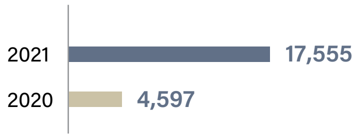
Contracted Property Sales

(RMB'million)



Revenue

(RMB'million)

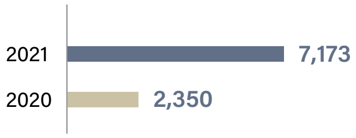


Rental and Related Income*

(RMB'million)

Gross Profit

(RMB'million)

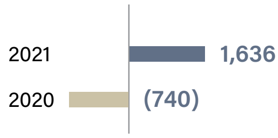


Gross Profit Margin

%

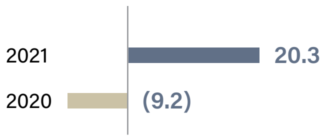
Profit/(Loss) Attributable to Shareholders of the Company

(RMB'million)



Basic Earnings/(Loss) per Share

(RMB'cent/share)

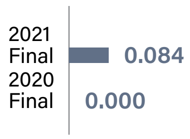


Shareholders' Equity per Share

(RMB/share)

Dividend per Share

(HKD/share)

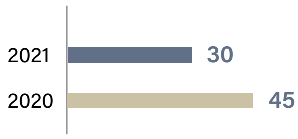


Total Assets

(RMB'million)

Net Gearing Ratio

%



Total Cash and Bank Deposits

(RMB'million)

* Including Rental Income from Rui Hong Xin Cheng Commercial Partnership Portfolio, Shanghai Taipingqiao 5 Corporate Avenue and Hubindao, and Nanjing IFC, in which, the Group has 49.5%, 44.55% and 50% effective interest, respectively. We acquired Nanjing IFC in February 2021.

> "Our foresight made us well prepared to manage through uncertain times in 2021 and seize opportunities brought by the industry's market correction. Going forward, we will continue to actively expand our developments in Shanghai and first tier cities as well as strategic locations within the Yangtze River Delta and the Greater Bay Area."

In many ways, 2021 was a year like no other for Shui On Land (the "Group").

First, we were confronted with a confluence of diverse challenges both macro in nature and those that were specific to our industry. While COVID-19 has been largely contained in China, we are still experiencing small scale outbreaks from time to time and with the emergence of the Omicron variant in late 2021, cases once again rose sharply globally. With that, we therefore needed to weather a second year of COVID-19 and its impact on travel, consumption, and the trading environment. In addition, there were significant challenges and risks exposed in the China property sector while global geo-political tensions also created an overhang on the ability to partner as usual with global businesses that are looking to expand in our region.

Despite that backdrop, we were able to effectively navigate the choppy market conditions as well as a volatile and changing property market in China and we believe this year is a clear testament to our ability to thrive even during adverse conditions. We delivered much stronger results than 2020, illuminating the resilience of our diverse asset-light business model and solid balance sheet as well as our unique strategies and competitive advantages versus others in our sector.

In particular, for many years we have been managing capital prudently, deleveraging, and planning carefully for both external threats and the market changes and correction that is upon us and this paid off this year. Of note, we had a number of successful commercial and residential property launches which further solidified the Group's leadership position and in particular strengthens our property portfolio in Shanghai, China's largest city by GDP and a key world financial centre with strong economic prospects.

VINCENT H. S. LO

Chairman

Second, in 2021 we celebrated major milestones and impressive anniversaries that highlight our deep and tested history and unique offering. Our parent Shui On Group launched 50 years ago and Shanghai Xintiandi, the landmark project of Shui On Land that is a leading example of urban renewal in China, entered its 20th year of award-winning operation. We are proud of our longstanding history and proven ability to contribute to responsible urban development and progress of the real estate market in China. Over the years, we have achieved many important milestones include the prestigious ULI Global Awards for Excellence and being named The World's top 20 Cultural Landmarks by Forbes.

Since our founding, total assets have grown significantly reaching RMB113.9 billion, our investment property portfolio (leasable GFA) has grown to 2,632,500 sq.m.. Moreover, we have built many iconic city centres over the past 20 years, including the world-famous Shanghai Xintiandi, Wuhan Tiandi, and Foshan Lingnan Tiandi to name just a few.

Third, we looked squarely to the future and made quite bold plans to evolve our business and better position our Group for success in the rapidly evolving real estate market. We announced the proposed spin-off and separate listing of our commercial investment properties, property management and asset management businesses which will be operated under a standalone entity, Shui On Xintiandi. And we have named new leaders to carry the Company forward as we prepare for a corporate restructure that we believe will unlock the tremendous value within our business.

Financial Highlights

I am pleased to report that despite various challenges the Group delivered strong financial results for fiscal 2021, with both revenue and profit rebounding following the recovery of the Chinese economy from the impact of the COVID-19 pandemic.

Revenue of the Group was RMB17,555 million, representing a 282% increase compared to last year, mainly due to a significant increase in property sales and a strong recovery in the commercial portfolio. Profit attributable to shareholders totaled RMB1,636 million, which is a significant improvement versus the net loss recorded in 2020 due to the COVID-19 outbreak in China.

Reflecting a very prudent approach to managing the balance sheet, the net gearing ratio further lowered to a very healthy level of 30% in comparison to 45% at 31 December 2020. Cash and bank deposits totaled RMB17,284 million.

In light of the Group's strong financials, the Board has recommended a final dividend for the year of HKD0.084 per share (2020: nil). In addition, the Board has approved a Share Repurchase Plan of up to HKD500 million, with a view to enhance earnings per share and overall shareholders' return.

Continuing to Thrive Amid A Testing Time Facing the Property Industry

Our business is very healthy and this is evident in both how we were able to navigate 2021 as well as the results we delivered during unprecedented macro and market challenges.

With the introduction of the Chinese government's "three red lines" policy in late 2020, which aims to facilitate a healthy development of the property sector in an orderly manner, financing to highly leveraged property developers have been sharply curtailed, and as a result, many developers were caught in a serious capital chain rupture, and some faced a significant liquidity crunch. Many once high-profile developers have defaulted on their debt obligations and their businesses are technically insolvent.

Our Group has always adopted a careful approach to managing our balance sheet and ensuring that we have healthy cashflow. We realised the importance of a disciplined capital management strategy years ago and since 2016 we have implemented an Asset Light Strategy in order to diversify our funding and to reduce our reliance on bank financing. As a result, we were able to further reduce our gearing ratio to only 30% as of 31 December 2021 despite the very challenging credit market.

Our foresight made us well prepared to manage through uncertain times in 2021 and seize opportunities brought by the market correction. In particular, our solid financial position provided us specific advantage versus peers, allowing us to secure opportunities to expand our landbank at a reasonable price and strengthen our presence in high growth cities in China.

Following our strategy of leveraging our established brands and expanding our presence in Tier-1 cities like Shanghai and major high-growth Tier-2 cities, we completed a number of new investments in 2021. These include Nanjing IFC, Lot 122 of the Taipingqiao project, and a comprehensive real estate project in the heart of Wuhan City. These new projects will enable us to further our market leadership in Shanghai and Wuhan and to build a solid foundation in a new market like Nanjing.

In terms of our operations, in 2021 we achieved very encouraging contracted sales amount totaling RMB30,270 million, comprising residential property sales of RMB30,157 million, and exceeded our full year sales target of RMB24 billion for 2021. Our Shanghai projects Panlong Tiandi and Shanghai Taipingqiao Ville V both generated very successful response from buyers.

In terms of the commercial property business, we successfully opened our landmark and ground-breaking Hall of the Sun, a 185,000 sq. m. super regional mall located in our Rui Hong Xin Cheng development. The mall opening was greatly anticipated by customers from all over Shanghai, resulting in very impressive foot traffic of one million visitors during the first three days of opening.

An Integral Part of Our Strategy, Sustainability is a Key Driver and Differentiator of Our Business

We have incorporated sustainable development practices in our strategy ever since the listing of Shui On Land. Sustainability is now a clear cornerstone of the Group's business and is a priority that is embedded in all aspects of our operations. We have always believed it is important for businesses to drive sustainability initiatives for communities to continue to thrive and this is now also a key to delivering sustainable return to our shareholders. We are deeply committed to being a pioneer in sustainable development during what will be an ongoing journey and continuous learning process for us.

During 2021 we rolled out various initiatives under our 10-year 5C Sustainable Development Strategy that was first introduced in 2020 and we continued to make exponential progress. The Group became the first real estate developer in China to adopt Science Based Targets initiative (SBTi) and commit to a business pledge of Below 2°C for emissions reductions. The Group also successfully issued its inaugural Sustainability-Linked Bond, again being the first China based developer to do so. In addition, we successfully secured renewable energy for Wuhan Tiandi's commercial and office properties to build a near zero carbon community and entered a partnership with Honeywell to progress green building initiatives.

Lastly, we received a number of sustainability related awards in 2021 and have been included in certain progressive indices. Of note, we won a Bloomberg Businessweek ESG Leading Enterprise Award and have been named to the 2022 Bloomberg Gender-Equality Index. This recognition is a clear indication of the significant progress the Company is making in this area.

We Are Confident in China's Future

China's economy continues to rise, with an 8.1% year over year growth in 2021 according to data from China's National Bureau of Statistics released in January 2022. Although property investment and new construction slumped in China in 2021 as a result of the credit tightening in the property sector, overall investment in China's property sector increased 4.4% during the year, while home sales by volume, an indicator of demand, rose 5.3% over the course of 2021.

With respect to other macro factors, we see many favorable conditions that will enable the Group to further prosper. The Chinese economy's resilience through the COVID-19 pandemic forms a good environment for the property sector as a whole. The growth of the affluent and upper-middle class clientele in China who are leading the shift in consumption trends from necessity to discretionary expenditure will benefit our commercial businesses.

Importantly, our business strategies are aligned with China's goals and policies related to sustainable urban development, including the focus on redevelopment in the major metropolitan centres. In view of the urban regeneration needs in China, we are perfectly positioned to ride on our vision and knowhow, our high quality, and our reputable brand name to provide best suitable solutions as a trusted partner to the government. Further, the city cluster development trends constitute a key encouraging factor to the Group's business plans and are consistent with our strategic focus and expertise. We will continue to actively expand our developments in Shanghai and first tier cities as well as strategic locations within the Yangtze River Delta and the Greater Bay Area.

Creating an Even Stronger Foundation for the Next Phase of Growth

As we look ahead, we are confident that these various positive trends will continue, and we believe this provides us with a great runway for further expansion.

We strongly believe that in order for Shui On Land to capture future opportunities and to deliver sustainable growth over the long-term we must continue to evolve and reinvent ourselves. To that end, 2021 not only marked great milestones for our Group but also a beginning for the next phase of growth. In September, we announced that we filed with the Hong Kong Stock Exchange to prepare for a spinoff of our commercial property business Shui On Xintiandi.

The proposed spinoff will create two independent publicly traded companies with two exceptionally experienced management teams, distinct business models, unique growth strategies, and compelling investment rationales. It will enable each company to focus on their distinct businesses and provide separate fund-raising platforms to support future growth for both companies. We intend for the proposed spin-off to unlock value of the Group's assets, to provide significant future growth opportunities for both Shui On Land and Shui On Xintiandi, and to enhance shareholder value over time.

Along with the proposed spinoff, in December we appointed Ms. Jessica Wang, CEO of Shui On Land, and Mr. Allan Zhang, CEO of Shui On Xintiandi, a major subsidiary of the Group. They both have been with the Group for more than 15 years and are well recognised for their strong leadership and extensive experience in the property sector. We believe these senior appointments will further strengthen the Group's leadership team and pave the way for a new era and more exciting trajectory for the Group with two companies focused on growth in their respective areas of focus.

We intend to build on the strong momentum and are cautiously optimistic about the future. While the market does certainly remain challenging, I believe we are in a very good position to capture new market opportunities and continue to drive sustainable growth.

Appreciation to All Our Stakeholders

Finally, I would like to thank our Board members for their invaluable guidance and outstanding service to Shui On Land as we have worked together to navigate many challenges and make important decisions that will position the Group as well as possible for the future.

On behalf of the Board, I would like to note our appreciation to Shui On Land's shareholders, business partners, and customers for their confidence and support this year and before. Thank you for believing, like we do, that Shui On Land offers something different and special and has competitive advantages that translate into value for you as well as our own business.

Most of all, I would like to express my heartfelt gratitude to our management team and employees for their unwavering commitment and dedication throughout the past year. We could not have overcome the many obstacles thrown our way and achieved such commendable results without their hard work and consistently strong contributions. I hope to count on your continued support as we move forward together and am optimistic about the very exciting times ahead for all of us.

VINCENT H. S. LO
Chairman
Hong Kong, 24 March 2022

KEY ACHIEVEMENTS IN 2021

Land Replenishment and New Investment

- In February, Shui On Land successfully acquired a mixed-use Grade-A landmark property in Nanjing with Grosvenor on a 50/50 basis.
- In June, Shui On Land formed a joint venture with Shanghai Yongye on a 50/50 basis for carrying out a property development project in Huangpu District, Shanghai, further expanding its footprint in the world-renowned Shanghai Xintiandi area.
- In December, Shui On Land jointly acquired a piece of land in the centre of Wuhan city with Wuhan Urban Construction Group to create a large-scale mixed-use community.

Solid Development Progress

- In September, Shanghai Rui Hong Xin Cheng · Hall of the Sun was completed and saw strong shopper traffic at its opening.
- In October, Wuhan 1 Corporate Avenue was completed.

Outstanding Operations Achievements

- The Group achieved solid property sales for the full year, with annual contracted property sales increased 43% to RMB30,270 million. The increase was due to strong sales performance in Shanghai RHXC Ocean One (Lot 7), Shanghai Taipingqiao Ville V (Lot 118), and Shanghai Panlong Tiandi.

- The Group's commercial property portfolio has also seen strong rental income growth. Including properties held by joint ventures and associates, total rental and related income increased by 29% year-on-year to RMB2,915 million in 2021.

ESG Initiatives

- In March, Shui On Land became the first China based developer to adopt Science Based targets (SBTi) and commit to a business pledge of Below 2°C for emissions reductions.

- In April, Shui On Land forged a strategic ESG collaboration with Green Monday to promote sustainable lifestyle choices.

- In June, Shui On Land issued USD400 million Inaugural sustainability-linked bonds (SLBs), becoming the first company in Greater China with operations solely in Chinese mainland to issue SLBs.

- In August, Wuhan commercial properties and Wuhan 1 Corporate Avenue introduced the "green power" plan to secure 100% renewable energy power supply and build a near zero carbon community.

- In September, Shanghai Xintiandi signed a "Green Pledge" with its F&B tenants to jointly commit to green sustainable actions.

- In November, Shui On Land partnered with Honeywell to create a sustainable future for smart buildings.

KEY AWARDS IN 2021

Included in 2022 Bloomberg Gender-Equality Index

Score 74.16%
1 of 3 China companies included in the index
2020: Not rated

Sustainability Development Credentials

Recognised by global benchmarks and seeing great improvement over the years

HKQAA

Score 71.1/100
Rating AA-
2020: Score 70.1/100
Rating AA-

GRESB

Score 88/100
Rating 5 Star
2020: Score 68/100
Rating 3 Star

MSCI ESG RATINGS

CCC	B	BB	BBB	A	AA	AAA

Score 5.4/10
Rating A
2020: Score 5.2/10
Rating BBB

CDP

Rating B-
2nd best scoring band
2020: Not rated

Shui On Land
Top 10 City Operators of Urban Renewal in 2020
by China Urban Regeneration Forum

Best Investor Relations Company
by Corporate Governance Asia

2021 HKMA Best Annual Reports Awards – Certificate Of Excellence In Environmental, Social and Governance Reporting
By HKMA

ESG Leading Enterprise Awards 2021
by Bloomberg Businessweek Chinese Edition

Good Business Award – Sustainable City Pioneer Award
by Bloomberg Businessweek Chinese Edition

Platinum Award – ESG Corporate Awards 2021
by The Asset

ESG Care Prize 2021
by InnoESG.org

Douglas Sung
Executive Director, Managing Director, Chief Financial Officer and Chief Investment Officer
Asia's Best CFO-Investor Relations
by Corporate Governance Asia

Stephanie Lo
Executive Director
Included in 2021 Future Chart list of Most Powerful Women in Business
by Fortune China

Shanghai Panlong Tiandi

Gold Winner of Best Futura Mega Project

by MIPIM Asia Summit Award

Xintiandi Style I

Winner of Urban Regeneration of the Year

by RICS Awards China 2021

Wuhan Tiandi Lot A

2021 ULI Asia Pacific Awards for Excellence

by Urban Land Institute

THE HUB

2021 ULI Global Awards for Excellence

by Urban Land Institute

SHUI ON LAND

A LEADING URBAN SOLUTION PROVIDER

dedicated to developing and building sustainable premium urban communities in China.

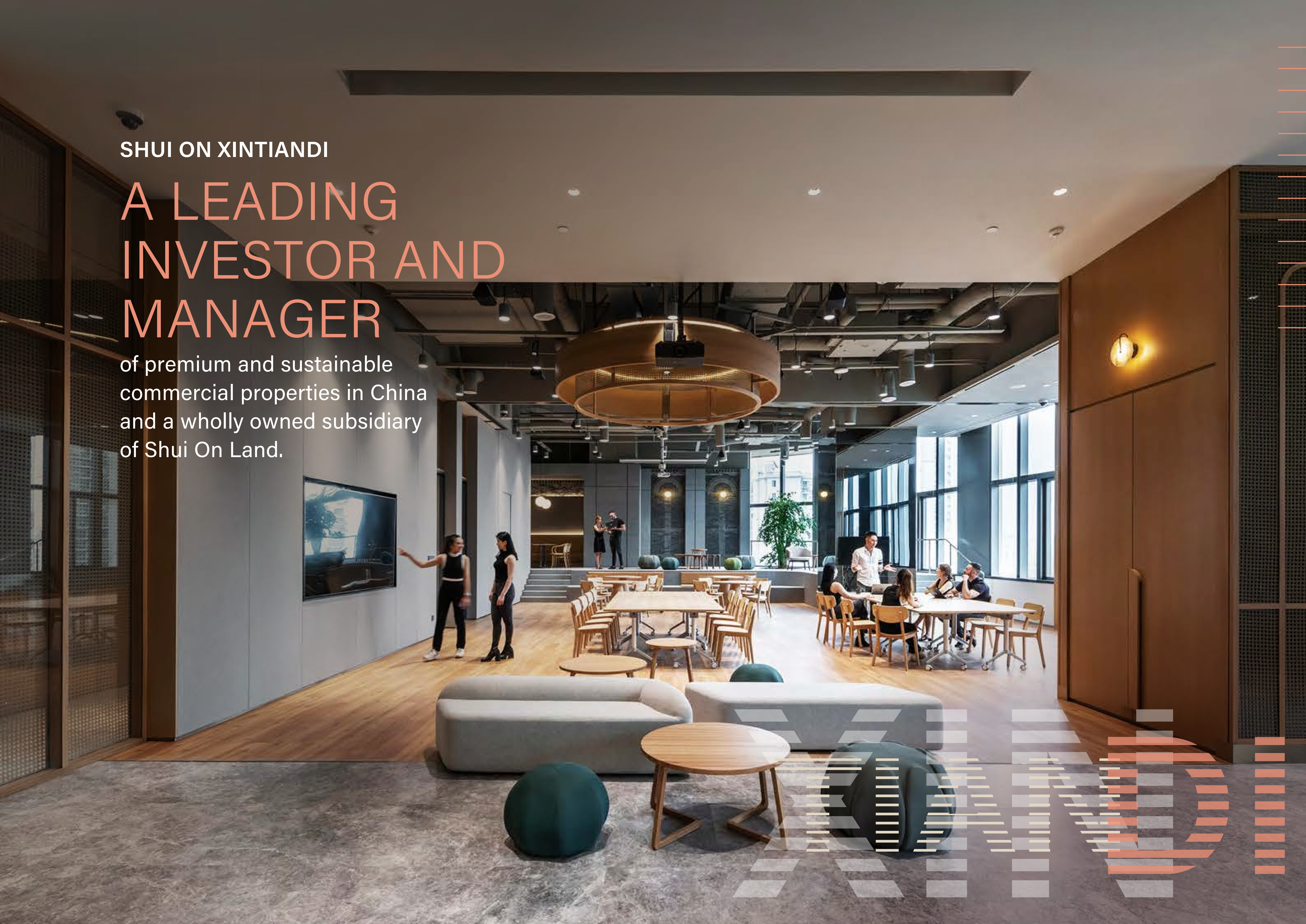
"By fully leveraging our proven capabilities in master planning, urban regeneration, cultural preservation, and innovative solutions, we will be well positioned to continue our growth momentum and expand into high-growth cities in China."

Jessica Y. Wang,
Chief Executive Officer
Shui On Land

SHUI ON XINTIANDI

A LEADING INVESTOR AND MANAGER

of premium and sustainable commercial properties in China and a wholly owned subsidiary of Shui On Land.



"We have robust strategies in place to seize opportunities in commercial property investment and asset management and deliver long-term benefits to all our stakeholders."

Allan B. Zhang,
Chief Executive Officer
Shui On Xintiandi

Shanghai

Panlong Tiandi Project

SITE LOCATION: The Panlong Tiandi project comprises residential sites with a combined GFA of 259,000 sq.m., as well as GFA of 48,000 sq.m. for culture and recreation/ restaurant and hotel development, and over 230,000 sq.m. of greeneries and public open space. The project is situated in Shanghai's Qingpu District, which is part of the Hongqiao CBD. It is next to Panlong Station of Shanghai Metro Line 17 and is just 2 train stops or 3 km away from the Hongqiao Transportation Hub. The Group plans to develop the site into a premium residential development. The sites were acquired in two phases in late 2019 and May 2020, with the Group holding an 80% effective interest.

Longyuan (Lot 6) with saleable GFA of 95,000 sq.m. for residential use was launched in October 2020 with progressive handover of units from the second half of 2021.

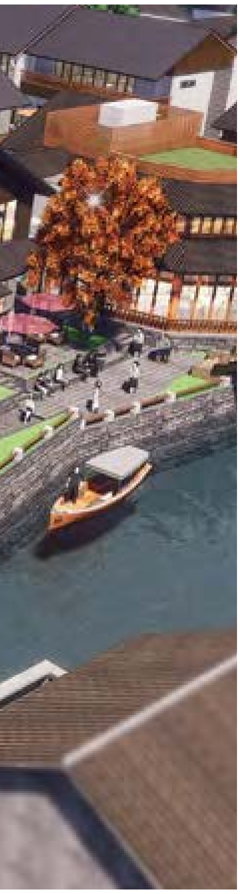
Yunting (Lot 5) with saleable GFA of 75,000 sq.m. for residential use was launched in October 2021.

Hong Shou Fang Project

SITE LOCATION: The Hong Shou Fang project is a typical "Urban Regeneration" project located at the gateway of Changshou Road, the most prosperous commercial street of Putuo District, Shanghai. The site is located only 2 km away from Nanjing West Road, the prominent CBD area of Shanghai. The site is directly linked to Changshou Road Station, the interchange station of Metro Lines 7 & 13.

The project is designated for commercial and office uses and has a total above ground GFA of 62,000 sq.m.. The Group plans to develop the site into a commercial complex with 48,000 sq.m. of Grade-A office and 14,000 sq.m. into "Tiandi street-style" entertainment, restaurants and retail area through the restoration of the historic buildings. The site is cleared and started construction in August 2020. The Group holds 100% effective interest in this project.

Taipingqiao Project



SITE LOCATION: The Taipingqiao project has a total GFA of 1.2 million sq.m. and is located in Huangpu District, the main commercial centre of Shanghai's Puxi region (along the west side of the Huangpu River). The project is connected by Shanghai Metro Lines 1, 8, 10 and 14, all of which are operational.

The Taipingqiao project, which began its multi-phase development in 1996, comprises retail, office, residential and cultural properties.

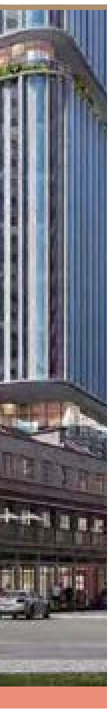
Shanghai Xintiandi, a historic restoration zone that has been successfully rejuvenated and reshaped into a lifestyle community, offers a wide selection of terrace restaurants and retail options, which is today a must-go destination in Shanghai. As Shanghai's premier lifestyle destination, Shanghai Xintiandi continues to attract new tenants from across the world. Shanghai Xintiandi has also enjoyed steady rental growth since its opening in 2001. Xintiandi Style II, located across the south of Shanghai Xintiandi, is a fashion-themed shopping mall. Shui On Plaza is an office tower with retail podium. A portion of Shanghai Xintiandi completed an asset enhancement initiative ("AEI") program and soft opened on 16 November 2020. A new commercial product module with social cate-focused platform for young fashionable consumers, "Foodie Social", was successfully operated on the 3rd floor as an innovative incubation and display platform for new catering brands and products.

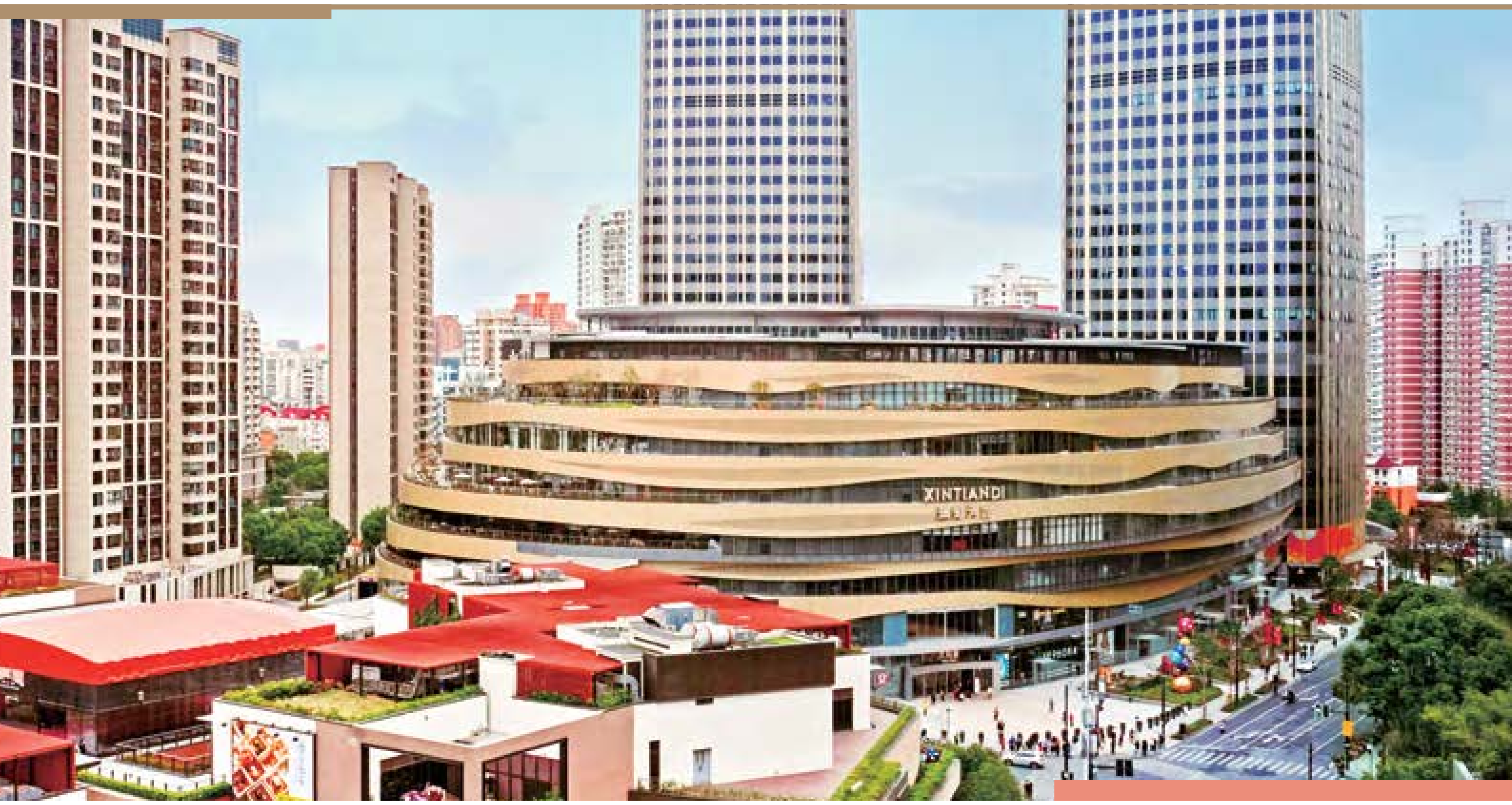
Lakeville, a premium residential project first launched in 2002, has been sold and delivered to buyers. Phases 1 to 4 has a total GFA of approximately 347,000 sq.m. as of 31 December 2021. Ville V (Lot 118), which has a total GFA of 78,000 sq.m., launched first batch in June 2020 and launched Phase 2 in Oct 2021.

5 Corporate Avenue is a Grade-A office building with a total GFA of 52,000 sq.m. for office use and 27,000 sq.m. for retail use, namely Hubindao. The building was completed in 2013. The Group holds an effective interest of 44.55%.

CPIC Xintiandi Commercial Center (Lots 123, 124 &132) will be developed into a commercial complex with three towers of premium Grade-A office buildings with a total GFA of 192,000 sq.m., together with a street style all-weather shopping and leisure/entertainment area for a total GFA of 84,000 sq.m. The groundbreaking of the development was held in September 2019. The Group holds an effective interest of 25%.

In June 2021, the Group, through an indirect wholly-owned subsidiary, established a 50/50 joint venture with a JV partner (Shanghai Yongye Enterprise (Group) Co., Ltd) to carry out the property development project at the lands Lots 122 in Huangpu District, Shanghai. The total investment amount of the JV Company is USD1,425 million.





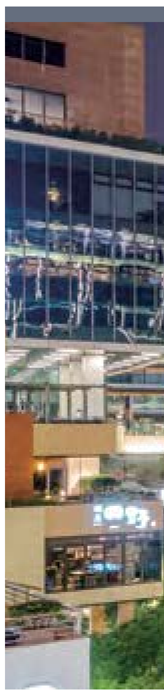
The Hub

SITE LOCATION: The Hub has a total GFA of 335,000 sq.m. and is strategically located at the heart of the Shanghai Hongqiao Central Business District (Hongqiao CBD) and is also the only site that is directly connected to the Hongqiao Transportation Hub, thus facilitating convenient accesses to major transportation nodes such as the High-Speed Railway Station, Hongqiao International Airport Terminal 2, as well as three operating metro lines. As described in Shanghai's 13th Five Year Plan (2016 – 2020), Hongqiao CBD is poised to become a world-class business centre providing services for business, exhibition & conventions, and transportation for the Yangtze River Delta and beyond.

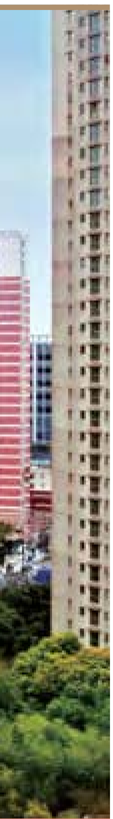
Construction of The Hub commenced in 2011 and was completed in the second half of 2015. It is today a new business, cultural and lifestyle landmark, comprising a large retail component, offices and a performance and exhibition centre. The Hub enjoys irreplaceable market positioning, via a unique and seamless blend of shopping, entertainment and F&B with the performing arts, as well as kids & family friendly experiences.

Four office towers with a total leasable GFA of 90,000 sq.m. are regional headquarters and branch offices of leading companies in various industries have been moving in since late 2014, including Fortune 500 companies such as Roche Diagnostics (Greater China Headquarters) and Shell (Downstream Business Headquarters).

The combined retail portfolio has a total GFA of 154,000 sq.m. including The Hub shopping mall, Xintiandi sunken plaza, and the office retail space. The tenants started operation in the second half of 2015. The shopping mall with a total GFA of 125,000 sq.m, accommodates over 200 shops and offers a strong tenant mix with many brands making their first appearance in China and/or Shanghai.



In 2021, The Hub project won the Urban Land Institute ("ULI") Global Awards for Excellence 2021, and also obtained WELL HEALTH-SAFETY RATING for Facility Operations and Management.



Rui Hong Xin Cheng

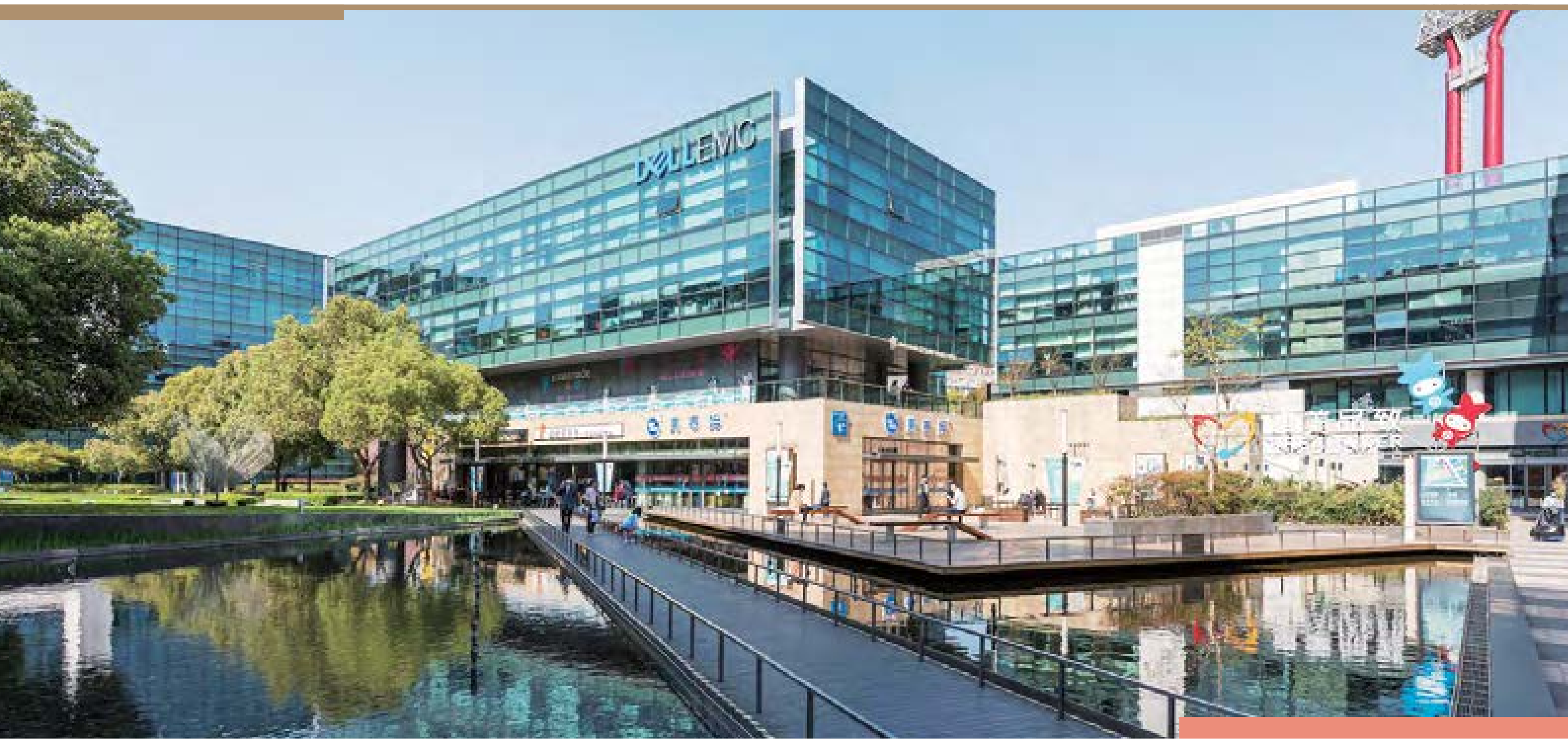
SITE LOCATION: The Rui Hong Xin Cheng project ("RHXC"), is located within the inner ring of Shanghai in Hongkou District (the "District"). The District, which has a long history and is currently undergoing urban renewal, enjoys excellent connectivity to the Lujiazui CBD and Pudong commercial district via four metro lines: Shanghai Metro Lines 4, 8, 10 and 12, as well as two tunnels: Xinjian Road Tunnel and Dalian Road Tunnel. RHXC is being revitalised to become a fashionable urban living destination, and will be an integrated community comprising office buildings, shopping centres, hotels, culture & entertainment space and residential properties with a total GFA of 1.72 million sq.m..

For the residential segment, the Group has developed, sold and delivered a total GFA of approximately 866,000 sq.m., which were completed in eight phases from 1998 to 2021.

Ocean One (Lot 7) (Phase 9) with total GFA of 163,000 sq.m. has completed relocation in 2019, with pre-sales being launched in four installments from January 2021 to January 2022. The Group holds a 49.5% effective interest in Lot 7.

Hall of the Moon (Ruihong Tiandi Lot 3), which has a total leasable GFA of 64,000 sq.m., celebrated its grand opening in June 2017. With a "Life, Music, Home" concept, Hall of the Moon has attracted many creative and influential Chinese musicians performing there, with its outdoor space and nightlife offerings as an attractive feature of the area. Hall of the Stars (Ruihong Tiandi Lot 6) with a total leasable GFA of 19,000 sq.m. commenced operations in 2015, and is positioned as a parent-child experiential shopping street with an integrated mix of dining, retail, personal care and children-related services. Hall of the Sun and Ruihong Corporate Avenue (Ruihong Tiandi Lot 10), which has a total leasable GFA of 330,000 sq.m., is a commercial complex comprising two Grade-A office buildings and a shopping mall. The construction of the shopping mall was completed and soft opened in September 2021. Ruihong Corporate Avenue also completed construction in 2021 and is under pre-leasing. The Group holds a 49.5% effective interest in the properties.

Park Vera (Lot 167 A) (Phase 10) has a GFA of 87,000 sq.m. and is under construction. The Group has a 49.0% effective interest in Lot 167.



Shanghai INNO KIC

SITE LOCATION: INNO KIC is located in the Xinjiangwan central business district of Yangpu District, Shanghai, with an above ground construction area of 45,800 sq.m..

INNO KIC is one of multiple projects created by SHUI ON WORKX, the multiform office product aiming to provide a complete life-cycle workspace solution for start-ups as well as small-to-medium and large enterprises. The project introduces a new business social platform that integrates work, entrepreneurship, learning, and leisure, covering the four major product modules of INNO SOCIAL, INNO OFFICE, INNO WORK, and INNO STUDIO, as well as the two service systems of INNO SERVICE and SHUI ON WORKX mobile application. The ultimate objective of this project is to create a diversified working ecosystem that promotes the growth and development of enterprises. The Group has a 100% interest of this project.

The entire Building B of INNO KIC was signed to lease to Ping An Health Care Investment Management Co., Ltd. in January 2020. Ping An Health Care, a wholly-owned subsidiary of Ping An Insurance (Group) Company of China, Ltd, was officially leased from February 2020. Its leased area is 20,218 sq.m., including 18,942 sq.m. office area and 1,276 sq.m. retail area. It also laid foundation to establish a mature and diversified community and will attract a large amount of healthy upstream and downstream industrial enterprises to move in the region.

In 2019, INNO KIC project won the 2019 Urban Regeneration Advance Award.

Knowledge and Innovation Community

SITE LOCATION: The Knowledge and Innovation Community ("KIC") project is strategically located in the immediate vicinity of major universities and colleges in Wujiaochang of Yangpu District and is connected by the Shanghai Metro Line 10.

KIC, which has a total GFA of 501,000 sq.m., is an international knowledge community that aims to integrate work, live, learning and play. KIC has been regarded as a landmark for innovation and entrepreneurship in Shanghai. After 15 years of development, KIC has emerged as a cradle for entrepreneurs and a mature knowledge community which combines the spirit of entrepreneurship and vibrant cultural communications. Over 500 start-ups incubators are based in KIC, playing pioneering roles across multiple industries that include Technology, Media, Telecom ("TMT"), design, education, and services, among others. Nearby universities, industry giants (MNC tenants), and growing start-ups have come together to form a mutually beneficial eco-system.

A total leasable GFA of 253,000 sq.m. developed by the Group is held for investment. The occupancy rate at KIC continues to be high, with established technology, professional service, and design companies, such as DELLEMC, EBAO, VMware, Deloitte, AECOM, SUNMI, ATRenew and Agora as tenants. University Avenue is a vibrant part of KIC. The road mainly offers a wide selection of gourmet cuisines, coffee shops, bookstores, galleries and creative retail stores. The Group has a 44.27% effective interest in the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 50.49%.

In 2019, KIC project won the 2019 Urban Land Institute ("ULI") Asia-Pacific Excellence Award and Global Excellence Award for Excellence.

Nanjing

The Group also seizes opportunities to manage third party assets, so as to leverage on, and to introduce new asset management services to properties in prime locations that have preservation elements.

These asset management initiatives include Nanjing INNO, which is the first asset light project of the Group applying the INNO office concept. Nanjing INNO has a total GFA of 17,000 sq.m., under a long-term lease contract with a third party landlord. The property has been under pre-leasing since early 2018 and commenced operation in the end of 2018.

Nanjing Bai Zi Ting, the Group's second asset light project in Nanjing, has a total GFA of 48,000 sq.m of retail, culture and leisure space. We are planning to launch the project for pre-leasing in 2022.

In February 2021, the Group's 50/50 joint venture with Grosvenor Group completed the acquisition of a mixed-use Grade-A landmark property, located at No. 1 Hanzhong Road, Qinhuai District, Nanjing, the capital city of Jiangsu Province. Commanding a total GFA of 118,000 sq.m., the project comprises a 45-storey Grade-A office tower, a 7-storey retail podium, as well as 181 underground parking lots. This acquisition is one of Grosvenor Asia Pacific's most significant investments to-date and also a milestone for the Group to grow its presence in Nanjing, in addition to its Nanjing INNO and Bai Zi Ting projects.

Wuhan

Wuhan Optics Valley Innovation Tiandi

SITE LOCATION: The Wuhan Optics Valley, which has a total of 1.27 million sq.m., is situated in the central area of Optics Valley Central City. Optics Valley is located in Wuhan East Lake High-Tech Development Zone and is ranked the third among the 114 high-tech zones in China in 2016, and is one of the National Innovation Demonstration and Free Trade Zones in China. Optics Valley Central City serves as the engine of the national innovation city and is positioned to be a world-class innovation centre. The Group has 50% effective interest in the project.

Construction work of the first phase residential (Lot R1) with a total GFA of 122,000 sq.m. started in early 2018 and a total GFA of 121,000 sq.m. was delivered by the end of 2021. The second phase (Lot R5) with a total GFA of 112,000 sq.m. started pre-sale since the first half of 2020, and was delivered to the buyers since the first half of 2021. Construction work of Lot R6 with a total GFA of 36,000 sq.m. started in late 2020, and started to pre-sale in November 2021.

Wuhan Tiandi

SITE LOCATION: The Wuhan Tiandi project has a total GFA of 1.37 million sq.m. and is situated in the city centre of Hankou District, occupying a prime location on the Yangtze River waterfront, promising unparalleled views of the Yangtze River and the scenic Jiangtan Park.

Wuhan Tiandi project is a large-scaled, mixed-use redevelopment comprising two major sites.

Wuhan Xintiandi (Lot A4) commenced operations in 2007 and has since become a well-recognised landmark of Wuhan, benefiting from a careful balance of preserving local historical architecture while injecting new commercial value.

South Hall of HORIZON (Lots A1/A2/A3), which has a total GFA of 120,000 sq.m., commenced operations in September 2016. It is a one-stop shopping centre with nearly 200 global fashion brands that not only promotes cutting-edge and modern fashion, but also provides a wide range of product and service offerings to consumers. North Hall of HORIZON (Lot B4 retail), which has a total GFA of 72,000 sq.m., held a grand opening in November 2019. It is positioned as a family-oriented retail destination which services the residents of the Wuhan Tiandi Community and the surrounding neighborhoods. The property is directly connected to the Light Rail Line 1.

The Office towers at Lots A2/A3/A5, which have a total GFA of 156,000 sq.m., were sold to buyers since 2011. Construction work of office building at Lot A1 was completed in 2021.

Residential developments in Wuhan Tiandi have been well received by the market. The residential units at Site A, which has a total GFA of 204,000 sq.m., were sold and delivered between 2007 and 2011. For Site B, comprising Wuhan Tiandi Lots B5, B9, B11, B13 & B14, totaling GFA of 305,000 sq.m., were sold and delivered to buyers between 2012 and 2017, following development completion. Lot B10, which has a total residential GFA of 105,000 sq.m. was sold out and delivered to buyers in 2021.

In 2021, The Wuhan Tiandi project won the Urban Land Institute ("ULI") Asia-Pacific Awards for Excellence.

Chongqing

Chongqing Tiandi

SITE LOCATION: Located in Yuzhong District, Chongqing Tiandi is an urban renewal project with a total plan GFA of 2.8 million sq.m..

Chongqing Xintiandi is a 49,000 sq.m. historic restoration zone within Chongqing Tiandi, which has been successfully rejuvenated and reshaped into a lifestyle community. Operational since 2010, 'Chongqing Xintiandi' offers a wide selection of terrace restaurants and retail outlets.

Chongqing 1, 3-5 and 6-8 Corporate Avenue are commercial properties within the Chongqing Tiandi development. With a total office-use GFA of 351,000 sq.m., these properties have been sold to buyers between 2011 and 2013. The commercial properties also comprise ancillary retail space of 79,000 sq.m., of which the Group continues to hold a 99% effective interest in, providing retail, food and beverage, as well as entertainment facilities to the office tenants and residents in the neighborhood.

The residential phases 1 to 9 within the development have been completed and progressively delivered to customers since 2008.

On 26 May 2017, the Group sold a 79.2% effective interest in the portfolio of 11 parcels at the Chongqing Tiandi ("Chongqing Partnership Portfolio") for a total consideration of RMB4,133 million. The transaction was completed on 29 June 2017. Accordingly, the Group now holds an effective interest of 19.8% in the partnership portfolio.

Foshan

Foshan Lingnan Tiandi

SITE LOCATION: The Foshan Lingnan Tiandi project is strategically located in the old town center of Chancheng District, which is Foshan's traditional downtown area and public transportation hub. The project enjoys good connectivity with two subway stations of the Guangzhou-Foshan metro line directly linked to the project site. This includes the Guangfo Metro Line 1, which is connected to Guangzhou, and an extended line which commenced operations in 2018, running from Xilang Station to Lijiao Station and passing through the Zhujiang River. The master plan of Foshan Lingnan Tiandi project covers areas with a total GFA of 1.5 million sq.m..

The project is a large-scaled urban redevelopment comprising office, retail, hotel and cultural facilities and residential complexes in an integrated community. The project benefits from having two national-grade heritage sites located within its community. This includes the centerpiece of Foshan's cultural heritage – Zumiao, an immaculately preserved ancient Taoist temple, and the Donghuali, also a well-known historic area.

Lingnan Tiandi is the historic restoration zone of the project, which has a total GFA of 55,000 sq.m. Lingnan Tiandi has been restored in three phases and has been successfully rejuvenated and reshaped into a lifestyle community, offering a wide selection of terrace restaurants and retail outlets. NOVA (Lot E Retail) with a retail GFA of 73,000 sq.m., is a shopping mall positioned as "Young and Trendy".

Since 2011, the Group has developed and delivered residential units amounting to a total GFA of approximately 389,000 sq.m.. The Masterpiece (Lot 13a), with a total GFA of 50,000 sq.m. for residential use and 1,000 sq.m. for retail space, was launched for pre-sale since late 2019. As of 31 December 2021, 402 residential units and 252 parking spaces have been handed over to the buyers.

In 2019, Foshan project won the 2019 Urban Land Institute ("ULI") Asia-Pacific Excellence Award and Global Excellence Award.

BUSINESS REVIEW

- **Strong rebound from FY2020:** Group revenue amounted to RMB17,555 million, representing a 282% increase compared to last year, mainly due to a significant increase in property sales. Together with the strong recovery in the commercial portfolio, the Group has returned to profitability compared to a net loss in 2020 due to the COVID-19 outbreak. Profit attributable to shareholders totalled RMB1,636 million in FY2021.

- **Property sales increased 8.4x Y/Y:** Property sales revenue for FY2021 increased significantly by 8.4x to RMB13,638 million, backed by the contributions from Shanghai Taipingqiao Ville V (Lot 118), Wuhan Tiandi La Riva II (Lot B10) and Shanghai Panlong Tiandi.

- **Commercial portfolio demonstrated strong performance:** Total rental & related income (including joint ventures and associates) was RMB2,915 million, representing a robust growth of 29% Y/Y. Occupancy rates of both our retail and office as of 31 December 2021 were above 90%.

- **Solid balance sheet enables Company to capture new market opportunities:** The net gearing ratio further lowered to a very healthy level at 30% (31 December 2020: 45%), reflecting our prudent approach in managing our balance sheet. This solid financials enabled us to expand our footprint in Nanjing, Shanghai and Wuhan in 2021.

- **Dividend and share repurchase declared:** In light of the Group's strong financials, the Board has recommended a final dividend for the year of HKD0.084 per share (2020: nil). In addition, the Board has approved a Share Repurchase Plan of up to HKD500 million, with a view to enhance earnings per share and overall shareholders' return. Together with an interim dividend of HKD0.036 per share, the full year dividend for 2021 amounted to HKD0.12 per share (2020: nil).

- **Key achievements in sustainability strategy:** In March 2021, the Group became the first China-based developer to commit to the Science-Based Targets initiatives ("SBTi"), targeting to limit global warming to below 2°C above pre-industrial temperatures. In June 2021, the Group also successfully issued our inaugural 5-year, USD400 million Sustainability-Linked Bond. This transaction marked another milestone in the Group's journey in green and sustainable finance. The Group has also become one of only three companies in China being included in 2022 Bloomberg Gender-Equality Index, a testimony to our workplace equality achievement.

Shui On Land is a leading commercial property focused developer, owner and asset manager in China, anchored by a prime city center portfolio in Shanghai. We believe in the creation of long-term value through the design, development and management of unique office and retail products. Our "Asset Light Strategy" enables us to enhance our financial strength, diversify our capital base and invest in new opportunities, and it has proven to greatly facilitate our strategic transformation.

The Group is undergoing a strategic restructuring of all its operations and business segments relating to commercial real estate to be managed in the future by a wholly-owned subsidiary Shui On Xintiandi ("SXTD"). Positioned to be a leading investor and manager of premium and sustainable commercial properties in China, SXTD will own one of the largest portfolios of commercial properties in prime locations in Shanghai and it will have a strong presence in other high-growth cities in the country. This strategic restructuring will help unlock the value of our commercial property portfolio, allow a more efficient deployment of management resources, and increase flexibility in operational and financial management.

Our motto is "to be a pioneer in developing and operating sustainable premium urban communities". Since the inception of Shui On Land, sustainable development has been part of our DNA and we have always been committed to caring for the environment, to preserving and rejuvenating China's cultural heritage, and to building and sustaining vibrant communities. Sustainability is our business strategy, not a separate initiative. We employ a people-centric, sustainable approach to design and build master-planned communities, and we have a widely-recognised record of accomplishment in sustainable development.

KEY ACHIEVEMENTS IN 2021

- We recorded contracted sales of RMB30.3 billion, representing a 43% Y/Y increase. This includes the launch of Shanghai Taipingqiao Ville V (Lot 118), Shanghai RHXC Ocean One (Lot 7) and Shanghai Panlong Tiandi. Our RMB5.5 billion of subscribed sales as of 31 December 2021 is expected to convert into contracted property sales in coming months.

- Our commercial property portfolio has also seen strong rental income growth. Including properties held by joint ventures and associates, total rental and related income increased by 29% Y/Y to RMB2,915 million in 2021, of which 75% was contributed by our portfolio located in Shanghai.

- In February 2021, the Group successfully acquired a mixed-use Grade-A landmark property in Nanjing with Grosvenor on a 50/50 basis. The property consists of a 45-storey Grade-A office tower, a 7-storey retail podium, as well as 181 underground parking lots with a total GFA of 118,000 sq.m.. The investment is a milestone for Shui On Land in growing our presence in Nanjing beyond the Nanjing INNO project, and it aligns with our Asset Light Strategy of collaborating with strategic partners to invest in prime commercial property assets and expand assets under management.

- In March 2021, the Group became the first China-based developer to commit to the SBTi, targeting to limit global warming to below 2°C above pre-industrial temperatures. On 29 June 2021, the Group successfully issued its inaugural USD400 million Sustainability-Linked Bond ("SLB") under the Sustainability-Linked Bond Framework. The SLB has a target of reducing our Scope 1 and 2 GHG emissions intensity (per sq.m.) by 25% by 2024 from a 2019 baseline.

- In June 2021, the Group formed a joint venture with Shanghai Yongye Enterprise (Group) Co., Ltd. on a 50/50 basis to carry out the property development in Huangpu District, Shanghai. The total site area of approximately 24,000 sq.m. will enable the Group to further expand its footprint in the world-renowned Shanghai Xintiandi area.

- In September 2021, Shanghai RHXC Hall of the Sun was completed and saw strong shopper traffic at its soft opening. With a retail GFA of 185,000 sq.m. and office GFA of 145,000 sq.m., the project has attracted and introduced a number of brands to open their "first-in-China/Shanghai" stores in the shopping center.

- In December 2021, the Group established a 50/50 joint venture with the subsidiaries of Wuhan Urban Construction Group and won a bid for lands located in the Wuchang district of Wuhan at a total consideration of RMB17.0 billion for residential and mixed-use property development.

- The Group is undergoing the restructuring of all its operations and business segments relating to commercial real estate to be managed under a major wholly-owned subsidiary, SXTD.

PROPERTY SALES PERFORMANCE

Recognised Property Sales

For 2021, total recognised property sales were RMB22,022 million (after deduction of applicable taxes). The significant increase of 112% was mainly due to the contributions from Shanghai Taipingqiao Ville V (Lot 118), Wuhan Tiandi La Riva II (Lot B10) and Shanghai Panlong Tiandi. The average selling price ("ASP") (including carparks) decreased by 6% to RMB46,900 per sq.m. compared to 2020, as most of the sales this year were recorded from Panlong Tiandi and Wuhan Tiandi with lower ASP.

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

	2021			2020		
Project	**Sales revenue**	**GFA sold**	**ASP[1]**	Sales revenue	GFA sold	ASP[1]
	RMB' million	**sq.m.**	**RMB per sq.m.**	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential (Lot 118)	**5,936**	**39,500**	**164,500**	–	–	–
Shanghai RHXC						
Residential (Lot 2)	–	–	–	262	2,300	120,400
Residential (Lot 1)	**3,391**	**33,900**	**109,100**	7,125	73,100	107,200
Retail	–	–	–	69	900	81,100
Shanghai Panlong Tiandi	**3,227**	**57,200**	**61,700**	–	–	–
Wuhan Tiandi						
Residential	**4,115**	**104,800**	**43,000**	–	–	–
Wuhan Optics Valley Innovation Tiandi						
Residential	**2,124**	**112,600**	**20,600**	261	18,700	15,000
Foshan Lingnan Tiandi						
Residential	**205**	**8,800**	**25,600**	944	41,600	24,900
Retail	**12**	**1,500**	**8,700**	62	4,700	14,000
Chongqing Tiandi						
Residential[2]	**2,491**	**152,500**	**21,700**	1,450	83,900	23,000
Retail	**45**	**2,200**	**22,300**	70	3,600	20,800
SUBTOTAL	**21,546**	**513,000**	**45,900**	**10,243**	**228,800**	**49,000**
Carparks	**476**	–	–	160	–	–
GRAND TOTAL	**22,022**	**513,000**	**46,900**	**10,403**	**228,800**	**49,800**
Recognised as:						
– property sales in revenue of the Group[3]	**13,638**			1,448		
– revenue of associates	**6,260**			8,694		
– revenue of joint ventures	**2,124**			261		
GRAND TOTAL	**22,022**			**10,403**		

Notes:

1 The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of applicable taxes.

2 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Residential sales of RMB2,491 million, ancillary retail space of RMB41 million and carparks sales of RMB61 million were contributed by Chongqing Tiandi partnership portfolio and were recognised as revenue of associates in 2021. The Group holds 19.8% interests in the partnership portfolio.

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

Contracted Property Sales, Subscribed Sales and Locked-in Sales

The Group's contracted property sales increased by 43% to RMB30,270 million in 2021, compared to RMB21,184 million in 2020, with residential property sales accounting for 99% and the remainder contributed by the sale of commercial units. The increase was due to strong sales performance in Shanghai RHXC Ocean One (Lot 7), Taipingqiao Ville V (Lot 118) and Shanghai Panlong Tiandi. The Group expects to launch more residential property developments in 2022, subject to the latest construction progress of the developments, and government pre-sale approval timing. The ASP of residential property sales increased by 11% to RMB63,800 per sq.m. in 2021, compared to RMB57,500 per sq.m. in 2020. The increase was mainly due to changes in project mix. In 2021, a higher proportion of contracted property sales was generated from higher ASP projects in Shanghai.

As of 31 December 2021:

i) a total subscribed sales of RMB5,505 million was recorded, among which RMB4,020 million and RMB705 million were from Shanghai RHXC Ocean One (Lot 7) and Taipingqiao Ville V (Lot 118) respectively. These are subject to formal sales and purchase agreements in the coming months.

ii) a total locked-in sales of RMB27.8 billion was recorded and available for delivery to customers and for recognition as profit in 2022 and beyond.

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

Project	2021 Contracted amount	2021 GFA sold	2021 ASP	2020 Contracted amount	2020 GFA sold	2020 ASP
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
RESIDENTIAL PROPERTY SALES:						
Shanghai Taipingqiao	**6,051**	**36,600**	**165,300**	5,531	33,800	163,600
Shanghai RHXC (Lot 2)	**–**	**–**	**–**	170	1,300	130,800
Shanghai RHXC (Lot 1)[1]	**599**	**5,500**	**108,900**	6,844	62,600	109,300
Shanghai RHXC (Lot 7)[1]	**10,424**	**90,600**	**115,100**	–	–	–
Shanghai Panlong Tiandi	**7,370**	**119,900**	**61,500**	2,931	47,800	61,300
Wuhan Tiandi	**80**	**1,700**	**47,100**	1,648	35,100	47,000
Wuhan Optics Valley Innovation Tiandi	**1,665**	**75,200**	**22,100**	1,354	67,900	19,900
Foshan Lingnan Tiandi	**71**	**2,800**	**25,400**	982	39,300	25,000
Chongqing Tiandi[2]	**3,347**	**134,500**	**30,300**	1,376	73,000	23,000
Carparks	**550**	**–**	**–**	164	–	–
SUBTOTAL	**30,157**	**466,800**	**64,600**	**21,000**	**360,800**	**58,200**
COMMERCIAL PROPERTY SALES:						
Shanghai RHXC (Lot 2)	**–**	**–**	**–**	73	900	81,100
Foshan Lingnan Tiandi	**12**	**1,500**	**8,000**	66	4,700	14,000
Chongqing Tiandi						
Office (Loft)	**4**	**300**	**13,300**	–	–	–
Retail	**97**	**5,900**	**16,400**	45	2,300	19,600
SUBTOTAL	**113**	**7,700**	**14,700**	**184**	**7,900**	**23,300**
GRAND TOTAL	**30,270**	**474,500**	**63,800**	**21,184**	**368,700**	**57,500**

Notes:

1 The Group held 49.5% interests in the properties.

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

Residential GFA Available for Sale and Pre-sale in 2022

The Group has approximately 346,900 sq.m. of residential GFA spanning seven projects available for sale and pre-sale during 2022, as summarised below:

Project	Product			Available for sale and pre-sale in 2022
		GFA in sq.m.	Group's interests %	Attributable GFA in sq.m.
Shanghai Taipingqiao Lot 118	High-rises	7,800	99%	7,700
Shanghai RHXC Lot 7[1]	High-rises	70,600	49.50%	34,900
Shanghai RHXC Lot 167A	High-rises	85,900	49%	42,100
Shanghai Panlong Tiandi	High-rises	73,200	80%	58,600
Wuhan Tiandi	High-rises	43,300	100%	43,300
Wuhan Optics Valley Innovation Tiandi	High-rises	45,200	50%	22,600
Chongqing Tiandi	High-rises	20,900	19.80%	4,100
TOTAL		**346,900**		**213,300**

Note:

1 All units from Shanghai RHXC Lot 7 have been launched and subscribed as of 31 January 2022.

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

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

PROPERTY DEVELOPMENT

Residential Properties under Development

Shanghai Taipingqiao – Ville V (Lot 118) with a total GFA of 78,000 sq.m. for residential use. The Group launched the second phase, comprising a total of 106 units in October 2021 with total GFA of 36,000 sq.m.. All the units have been contracted or subscribed as of 31 December 2021. A total amount equivalent to RMB5.9 billion was handed over and recognised as revenue in 2021.

Shanghai RHXC – Ocean One (Lot 7) has a total GFA of 161,000 sq.m. for residential and 2,000 sq.m. for retail shops. The first pre-sale took place in January 2021, and over RMB10 billion were contracted in 2021. With last batch launched in January 2022, all of the units have been launched and subscribed as of 31 January 2022.

Shanghai Panlong Tiandi – Construction work on Lot 5 commenced in November 2020, with a saleable GFA of 75,000 sq.m. for residential use. The Group launched a total of 741 units for pre-sale in October 2021 which will be ready for handover in 2022.

Wuhan Tiandi – La Riva II (Lot B10) is developed into high-rise residential apartments with a total GFA of 114,000 sq.m.. A total of 27,500 sq.m. was launched for pre-sale in late 2018, and another 52,500 sq.m. was launched for pre-sale in 2019. The remaining portion with 34,000 sq.m. was launched in late April 2020 with over RMB1.6 billion property sales on the day of launch. A total amount of RMB4.1 billion was recognised in revenue in 2021. Lot B12 with a total GFA of 72,000 sq.m. is currently under construction.

Wuhan Optics Valley Innovation Tiandi – The site was acquired in 2017. Lot R6 with saleable GFA of 36,000 sq.m. started pre-sale of 260 units in November 2021 and achieved RMB625 million contracted sales in 2021.

Foshan Lingnan Tiandi – The Masterpiece (Lot 13a) with a total GFA of 50,000 sq.m. for residential use and 1,000 sq.m. for retail space was launched for pre-sale in late 2019. As of 31 December 2021, 402 residential units and 252 parking spaces were handed over to owners.

Chongqing – Glory Mansion (Lot B13) Phase I with a total GFA of 153,000 sq.m. was completed and handed over in 2021. Glory Mansion Phase II with a total GFA of 98,000 sq.m. for retail use, Glorious River (Lots B5&B10) with a total GFA 173,000 sq.m. and Quiet Mansion (Lot B24-6) with a total GFA of 72,000 sq.m. were under construction. The Group holds a 19.8% interest in the partnership portfolio.

Commercial Properties under Development

Shanghai Taipingqiao – CPIC Xintiandi Commercial Center (Lots 123, 124 &132) held a ground-breaking ceremony in September 2019. The sites will be developed into a commercial complex comprising three Grade-A office towers with a total GFA of 192,000 sq.m. and an all-weather street style shopping mall, comprising 84,000 sq.m.. The construction of the office towers is planned for completion from 2022 to 2024 in phases, and the shopping mall is planned to be handed over in 2024. The Group holds a 25% interest in the development.

Shanghai RHXC – Construction work of Ruihong Tiandi Lot 10 commenced in 2017. It has been developed into a commercial complex comprising two Grade-A Office Towers named Ruihong Corporate Avenue with a total GFA of 145,000 sq.m., and a shopping mall named Hall of the Sun, comprising 185,000 sq.m.. The construction of the shopping mall has been completed and soft opened in September 2021.

Shanghai Hong Shou Fang – the Group acquired a commercial site located in Hong Shou Fang in the Putuo District of Shanghai with a total GFA of 48,000 sq.m. office and 14,000 sq.m. retail in 2019. Construction work commenced in the second half of 2020 and is planned for completion in 2022. The Group holds 100% interest in the site.

Wuhan Tiandi – 1 Corporate Avenue (Lot A1 office building) with a total GFA of 160,000 sq.m. was completed in September 2021 and has started pre-leasing.

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

INVESTMENT PROPERTIES

A Leading Player in Commercial Real Estate

Project	Office GFA sq.m.	Retail GFA sq.m.	Total GFA sq.m.	Attributable GFA sq.m.	Asset Value as of 31 December 2021 RMB'billion	% of ownership
COMPLETED PROPERTIES						
Shanghai Taipingqiao Community						
Shanghai Xintiandi, Xintiandi Style II, Xintiandi Plaza, Shui On Plaza	36,000	85,000	121,000	109,000	11.52	100%/99%/80%/80%
5 Corporate Avenue, Hubindao	52,000	27,000	79,000	35,200	6.74	44.55%
The Hub	90,000	173,000	263,000	263,000	8.96	100%
Ruihong Tiandi Community						
Hall of the Moon, Hall of the Stars, The Palette 3	–	111,000	111,000	55,000	4.02	49.5%
Hall of the Sun, Ruihong Corporate Avenue	145,000	185,000	330,000	163,400	11.69	49.5%
Shanghai KIC	186,000	67,000	253,000	117,300	8.53	44.27%/50.49%
INNO KIC	41,000	4,000	45,000	45,000	1.48	100%
Nanjing IFC	72,000	28,000	100,000	50,000	2.98	50.00%
Wuhan Tiandi Community	160,000	238,000	398,000	398,000	9.15	100%
Foshan Lingnan Tiandi Community	16,000	143,000	159,000	159,000	4.37	100%
Chongqing Tiandi Community	–	131,000	131,000	131,000	1.52	99%
SUBTOTAL	**798,000**	**1,192,000**	**1,990,000**	**1,525,900**	**70.96**	
LAND & PROPERTIES UNDER DEVELOPMENT						
Shanghai Taipingqiao Community						
Xintiandi Style II (AEI)	–	19,000	19,000	18,800	1.21	99%
CPIC Xintiandi Commercial Center	192,000	84,000	276,000	69,000	19.19	25%
Shanghai RHXC						
Ruihong Tiandi Lot 167B	107,000	12,000	119,000	58,300	4.33	49%
Shanghai Hong Shou Fang	48,000	14,000	62,000	62,000	2.38	100%
Shanghai Panlong Tiandi	–	44,000	44,000	35,200	0.84	80%
Foshan Lot A	190,000	64,000	254,000	254,000	1.88	100%
SUBTOTAL	**537,000**	**237,000**	**774,000**	**497,300**	**29.83**	
GRAND TOTAL	**1,335,000**	**1,429,000**	**2,764,000**	**2,023,200**	**100.79**	

Valuation of Investment Properties

As of 31 December 2021, the carrying value of the Group's investment properties at valuation (excluding hotels for operation and self-use properties) was RMB95,522 million with a total GFA of 2,632,500 sq.m.. The properties located in Shanghai, Wuhan, Foshan, Chongqing and Nanjing contributed 60%, 15%, 15%, 5% and 5% of the carrying value, respectively.

The table below summarises the carrying value of the Group's investment properties at valuation as of 31 December 2021 together with the change in fair value for 2021:

Project	Leasable GFA	Increase /(decrease) in fair value for 2021	Carrying value as of 31 December 2021	Fair Value gain/(loss) to carrying value	Attributable carrying value to the Group
	sq.m.	RMB'million	RMB'million	%	RMB'million
SXTD PORTFOLIO[2]					
Completed investment properties					
Shanghai Taipingqiao Community					
Shanghai Xintiandi and Xintiandi Style II	61,000	54	6,762	0.8%	6,755
Shui On Plaza and Xintiandi Plaza	53,000	(13)	4,161	(0.3%)	3,370
5 Corporate Avenue, Hubindao (associate)	79,000	140	6,743	2.1%	3,004
The Hub	263,000	32	8,960	0.4%	8,960
Shanghai KIC	247,000	42	8,341	0.5%	3,855
INNO KIC	45,000	12	1,475	0.8%	1,475
Wuhan Tiandi Community	238,000	65	6,519	1.0%	6,519
Foshan Lingnan Tiandi Community	142,000	(13)	4,120	(0.3%)	4,120
Chongqing Tiandi Community	128,000	(10)	1,488	(0.7%)	1,473
Nanjing IFC (joint venture)	100,000	106	2,982	3.5%	1,491
SUBTOTAL	**1,356,000**	**415**	**51,551**	**0.8%**	**41,022**
Investment properties under development					
Xintiandi Style II (AEI)	19,000	16	1,207	1.3%	1,195
Investment property – sublease of right-of-use assets					
Nanjing INNO	17,000	(10)	93	(10.8%)	93
SXTD PORTFOLIO TOTAL	**1,392,000**	**421**	**52,851**	**0.8%**	**42,310**
OTHER INVESTMENT PROPERTIES					
Shanghai RHXC	500	–	8	–	8
1 Corporate Avenue, Wuhan	160,000	(70)	2,631	(2.7%)	2,631
Chongqing Street shops	3,000	–	34	–	34
Shanghai Panlong Tiandi	44,000	29	835	3.5%	668
Shanghai Hong Shou Fang	62,000	7	2,380	0.3%	2,380
Foshan Lot A	254,000	(79)	1,881	(4.2%)	1,881
Foshan Lots B/C[3]	–	(27)	–	–	–
Ruihong Tiandi Community (joint venture)	441,000	465	15,711	3.0%	7,777
CPIC Xintiandi Commercial Center (joint venture)	276,000	(180)	19,191	(0.9%)	4,798
OTHER INVESTMENT PROPERTIES TOTAL	**1,240,500**	**145**	**42,671**	**0.3%**	**20,177**
GRAND TOTAL	**2,632,500[1]**	**566**	**95,522**	**0.6%**	**62,487**
GRAND TOTAL (EXCLUDING ASSOCIATES AND JV)	**1,736,500[1]**	**35**	**50,895**	**0.1%**	**45,417**

Notes:

1 Self-use properties (total GFA 15,000 sq.m.) are classified as property and equipment in the consolidated statement of financial position, and the respective leasable GFA is excluded from this table. Carpark and other facilities spaces are also not included in this table.

2 The completed investment properties will be transferred to SXTD upon completion of restructuring.

3 Transferred to asset held for sale in 2021.

Shui On Xintiandi ("SXTD"): the Group's flagship commercial business unit

The Group is restructuring all of its completed investment properties and businesses relating to its commercial real estate operation to be managed under a wholly-owned subsidiary, SXTD. After the completion of restructuring, SXTD will hold and manage three major business segments of the Group:

i) Property investment, comprising investment, ownership and operation of commercial properties and provision of other rental-related services;

ii) Property management, comprising commercial and residential property management services; and

iii) Real estate asset management, comprising commercial asset management services.

Selected financial information[1]

RMB'million	2021	2020	Year-on-Year Growth/(Decline)
Revenue	**2,865**	2,358	22%
Comprised of:			
– Property investment[2]	**2,221**	1,836	21%
– Property management	**500**	405	23%
– Real estate asset management	**93**	67	39%
– Others	**51**	50	2%
Gross profit	**2,071**	1,662	25%
Operating profit	**1,629**	1,283	27%
Underlying profit[3]	**602**	304	98%
Net assets	**33,416**	30,513	10%
Net gearing ratio, at the end of year	**15%**	22%	(7ppt)

Notes:

1 Figures are unaudited and prepared on a pro-forma basis.

2 The difference between revenue from property investment of SXTD and the consolidated rental and related income of the Group was mainly due to the income from temp shop in Foshan Lingnan Tiandi.

3 Underlying profit is a non-IFRS financial measure and represents the net profit attributable to shareholders that excludes fair value changes and effect of foreign exchange.

In 2021, SXTD delivered strong results mainly contributed by property investment as a result of recovery from COVID-19 and effective cost control.

Property Investment

As of 31 December 2021, SXTD manages all of the Group's completed investment properties and two joint venture projects, namely 5 Corporate Avenue and Hubindao in Shanghai and Nanjing IFC.

Property investment contributed approximately 78% of SXTD's total revenue in 2021. Our retail and office investment properties accounted for 61% and 39% of rental income from property investment (including 5 Corporate Avenue and Hubindao, and Nanjing IFC), respectively.

The retail portfolio has seen strong recovery from the negative impact last year of the 2020 COVID-19 outbreak in China. The occupancy rate has reached an average of 93% as of 31 December 2021. We recorded positive retail rental reversion in 2021, mainly driven by the consumptions of our strong domestic customer base.

Amidst the pressure from oversupply of office in Shanghai, our office portfolio has demonstrated resilience as a testimony of our reputable services and prime locations. We have seen quick recovery in our office portfolio and office rental reversion was positive in the year. The occupancy rate was maintained at an average of 93% as of 31 December 2021, and in particular, the occupancy rate of our office properties in Shanghai has achieved an average of 98%.

Performance of Investment Properties

The table below provides an analysis of the rental and related income, occupancy rate of the investment properties of the Group:

Project	Product	Leasable GFA	Rental & related income[6] RMB'million		Changes	Occupancy rate		Changes
		sq.m.	2021	2020	%	31 Dec 2021	31 Dec 2020	ppt
Shanghai Taipingqiao Community								
Shanghai Xintiandi	Office/ Retail	54,000	**454**	294	54%	**100%**	97%	3
Xintiandi Style II	Retail	7,000[1]	**51**	75	(32%)	**79%[2]**	83%	(4)
Shui On Plaza & Xintiandi Plaza	Office/ Retail	56,000	**180**	167	8%	**99%**	88%	11
The Hub	Office/ Retail	263,000	**422**	375	13%	**95%**	94%	1
Shanghai KIC	Office/ Retail	247,000	**487**	444	10%	**97%**	94%	3
INNO KIC	Office/ Retail	45,000	**63**	40	58%	**97%**	84%	13
Wuhan Tiandi Community	Retail	238,000	**320**	236	36%	**93%**	89%	4
Foshan Lingnan Tiandi Community	Office/ Retail	144,000	**187**	165	13%	**96%**	94%	2
Chongqing Tiandi Community	Retail	128,000	**57**	40	43%	**94%**	84%	10
TOTAL RENTAL AND RELATED INCOME		**1,182,000**	**2,221[7]**	**1,836**	**21%**			
Shanghai Taipingqiao Community								
5 Corporate Avenue, Hubindao[3] (classified as associate income)	Office/ Retail	79,000	**270**	247	9%	**96%**	91%	5
Nanjing IFC[4] (classified as joint venture income)	Office/ Retail	100,000	**122**	–	–	**60%**	–	–
GRAND TOTAL		**1,361,000[5]**	**2,613**	**2,083**	**25%**			

Notes:

1 Excluded a total leasable GFA of 19,000 sq.m. which was under AEI since October 2021.

2 Drop in occupancy rate in 2021 was due to AEI works and tenants were vacated since 2021.

3 The Group held 44.55% effective interest of the property. Rental and related income attributable to SXTD was RMB120 million in 2021 and RMB110 million in 2020.

4 The acquisition of Nanjing IFC was completed in February 2021. The Group held 50% effective interest of the property. Rental and related income attributable to SXTD was RMB61 million in 2021.

5 A total GFA of 10,000 sq.m. located at Shanghai Shui On Plaza and Shanghai KIC were occupied by SXTD and were excluded from the above table.

6 Excluding property management income from commercial properties which is included in Property Management segment.

7 The difference between revenue from property investment of SXTD and the consolidated rental and related income of the Group was mainly due to the income from temp shop in Foshan Lingnan Tiandi.

Rental and related income increased by 21% to RMB2,221 million in 2021 compared to RMB1,836 million in 2020. The increase was driven by a rapid business recovery from the COVID-19 impact on our operations in 2020, and additional rental contributions in Shanghai Xintiandi after its AEI.

Including the properties of 5 Corporate Avenue and Hubindao, and Nanjing IFC, the total rental and related income increased by 25% Y/Y to RMB2,613 million in 2021, of which 74% of the rental and related income was contributed by the portfolio located in Shanghai, with the remaining from other cities in China.

Retail Tenant Mix

As at 31 December 2021

	By occupied GFA
Food & beverage	30.0%
Fashion & beauty	25.1%
Entertainment	14.5%
Services	14.4%
Children & family	8.1%
Hotel & service apartment	2.0%
Supermarkets & hypemarkets	1.9%
Showroom	1.7%
Others	2.3%
TOTAL	**100%**

Office Tenant Mix

As at 31 December 2021

	By occupied GFA
High-tech & TMT	30.0%
Biological, pharmaceutical & medical	13.3%
Professional services	12.1%
Banking, insurance & financial services	8.9%
Consumer products & services	8.7%
Automation, manufacturing & automobile	4.8%
Education, culture & innovation	4.5%
Real estate & construction	4.2%
Chemical	3.6%
Others	9.9%
TOTAL	**100%**

Performance of Our Projects

Shanghai Taipingqiao Community:

The **Shanghai Taipingqiao Community** comprises various commercial and office properties including Shanghai Xintiandi, Xintiandi Style II, Shui On Plaza and Xintiandi Plaza, and 5 Corporate Avenue and Hubindao. The total rental and related income of Shanghai Taipingqiao increased by 22% in 2021, driven by increase in sales and foot traffic, and full year contribution of a portion of Shanghai Xintiandi after the completion of its AEI and soft opening the premise on 16 November 2020. With focus on Neo Luxury, reopened with many new tenants, such as Butterful & Creamorous, Qeelin, Tom Dixon, and 3CE Stylenanda. Xintiandi Style II, located across the new portion of Shanghai Xintiandi with a GFA of 19,000 sq.m., commenced its AEI since October 2021 and will be re-opened with a brand-new concept in Q4 2022.

Other Shanghai Projects:

The Hub and **Shanghai KIC** recorded an increase in rental and related income of 13% and 10% respectively in 2021 compared to 2020. The Hub is well connected to transportation hub of Hongqiao with retail and office. KIC is office-focused with the office component accounting for 74% of its total leasable GFA. The strong rental growth in these two projects broadly reflect the overall recovery in the Shanghai office market in 2021. Indeed, both The Hub and Shanghai KIC were nearly fully leased, with occupancy rates as of year-end 2021 of 95% and 97%, respectively.

INNO KIC, located adjacent to Shanghai KIC with a total GFA of 45,000 sq.m., commenced operation in April 2019, and contributed RMB63 million rental and related income in 2021 with a current occupancy rate at 97% at end of December 2021.

Wuhan Tiandi Community:

The **Wuhan Tiandi Community** includes all the retail complexes in the Wuhan Tiandi Community, namely Wuhan Xintiandi and South Hall and North Hall of Horizon. The total rental and related income from the Wuhan Tiandi Community increased by 36% in 2021. This was mainly due to the successful repositioning of Wuhan Xintiandi in which we optimised its tenant mix and food & beverage offerings, introducing new tenants focusing on young premium customers, such as Knowin and Harmay.

Foshan Lingnan Tiandi Community:

The **Foshan Lingnan Tiandi Community** comprises Lingnan Xintiandi and NOVA and Lot E office. The project performed well, with the occupancy rate for the NOVA shopping mall remaining at 99% as of 31 December 2021, while the overall occupancy rate for Lingnan Xintiandi was 94%. The rental and related income generated from these properties reached RMB187 million in 2021, up 13% compared to 2020.

Chongqing Tiandi Community:

The Chongqing Tiandi Community comprises of the retail space in the Chongqing Tiandi Community include Chongqing Xintiandi, A Hall and B Hall of Jialing Mall and 2 Corporate Avenue Retail, Chongqing. Rental and related income of Chongqing Xintiandi remained stable in 2021. The occupancy rate was 98% for Chongqing Xintiandi and the occupancy rate of A Hall of Jialing Mall (Lot B12-3 Retail) was 88%. The occupancy rate of B Hall of Jialing Mall (Lot B12-4 Retail) was 92% after repositioning.

Nanjing IFC:

We acquired a mixed-use Grade-A landmark property in Nanjing with Grosvenor on a 50/50 basis in February 2021. Nanjing IFC is predominantly an office building occupied by a diverse mix of high-quality tenants, including MetLife, AIA and KFC. The property is currently undergoing asset enhancement to further improve the value of the property by upgrading the office tower and repositioning the retail podium.

Property Management

We provide premium property management services for the commercial properties within the Group's portfolio as well as selective commercial and residential properties owned by third parties. In 2021, the total GFA under management for commercial and residential properties were 4.1 million sq.m. and 4.9 million sq.m., respectively. Property management contributed to approximately 17% of SXTD's revenue in 2021. During the year, the segment's increased revenue was due to a higher occupancy rate for commercial properties under management, an increase in residential GFA under management, and a waiver of retail management fee in 2020 due to COVID-19 outbreak.

Real Estate Asset Management

We provided real estate asset management services for commercial projects with JV or third-party owners. The real estate asset management services include but are not limited to feasibility study, tenancy positioning, leasing, marketing and branding, account and finance management. As of December 2021, our asset management projects included 5 Corporate Avenue and Hubindao, Nanjing IFC, commercial properties in the Ruihong Tiandi Community, 2 Corporate Avenue in Wuhan and Nanjing INNO. CAGR of revenue from real estate asset management since 2018 was 37%. The total valuation of the projects we managed amounted to RMB26.4 billion, with a total GFA of 679,000 sq.m. as of 31 December 2021. The business segment contributed to approximately 3% of SXTD's revenue in 2021.

LANDBANK

As of 31 December 2021, the Group's landbank was 9.4 million sq.m. (comprising 7.0 million sq.m. of leasable and saleable area, and 2.4 million sq.m. for clubhouses, car parking spaces and other facilities) spreading across thirteen development projects located in the prime areas of five major PRC cities, namely: Shanghai, Nanjing, Wuhan, Foshan and Chongqing. The leasable and saleable GFA attributable to the Group was 4.3 million sq.m.. Of the total leasable and saleable GFA of 7.0 million sq.m., approximately 2.2 million sq.m. was completed, and held for sale and/or investment. Approximately 2.0 million sq.m. was under development, and the remaining 2.8 million sq.m. was held for future development.

The Group formed a joint venture ("JV") with Shanghai Yongye Enterprise (Group) Co., Ltd. on a 50/50 basis for carrying out the property development project at the lands in Huangpu District, Shanghai. The lands comprise the land parcel 122-1, the land parcel 122-2, and the land parcel 122-3. The total site area of the lands is approximately 24,000 sq.m.. The lands will be mainly for mixed-use development comprising residential, commercial, and ancillary facilities with a gross floor area estimated to be 173,000 sq.m.. It enables the Group to further expand its footprint in the world-renowned Shanghai Xintiandi area.

In December 2021, the Group established a 50/50 joint venture with the subsidiaries of Wuhan Urban Construction group and successfully won a bid for lands located in the Wuchang district of Wuhan for total consideration of RMB17.0 billion. The project is a large-scale master planned district that includes the development of residential, office, and commercial buildings, international schools, and other public utilities. It will further strengthen the Group's presence in the Wuhan region.

The Group's total landbank as of 31 December 2021, including that of its joint ventures and associates, is summarised below:

	Approximate/Estimated leasable and saleable GFA								
Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interests	Attributable leasable and saleable GFA
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
COMPLETED PROPERTIES:									
Shanghai Taipingqiao	39,000	88,000	112,000	–	**239,000**	107,000	**346,000**	99.00%[1]	183,000
Shanghai RHXC	–	145,000	298,000	–	**443,000**	226,000	**669,000**	99.00%[2]	219,000
Shanghai KIC	–	164,000	67,000	22,000	**253,000**	142,000	**395,000**	44.27%[3]	117,000
The Hub	–	90,000	173,000	–	**263,000**	72,000	**335,000**	100.00%	263,000
Shanghai Panlong Tiandi	51,000	–	–	–	**51,000**	42,000	**93,000**	80.00%	41,000
INNO KIC	–	41,000	4,000	–	**45,000**	18,000	**63,000**	100.00%	45,000
Wuhan Tiandi	9,000	160,000	238,000	–	**407,000**	305,000	**712,000**	100.00%	407,000
Wuhan Optics Valley Innovation Tiandi	6,000	–	3,000	–	**9,000**	104,000	**113,000**	50.00%	5,000
Foshan Lingnan Tiandi	–	16,000	156,000	43,000	**215,000**	131,000	**346,000**	100.00%	215,000
Chongqing Tiandi	–	–	135,000	–	**135,000**	326,000	**461,000**	99.00%[4]	130,000
Nanjing IFC	–	72,000	28,000	–	**100,000**	18,000	**118,000**	50.00%	50,000
SUBTOTAL	**105,000**	**776,000**	**1,214,000**	**65,000**	**2,160,000**	**1,491,000**	**3,651,000**		**1,675,000**
PROPERTIES UNDER DEVELOPMENT:									
Shanghai Taipingqiao	–	192,000	103,000	–	**295,000**	110,000	**405,000**	99.00%[5]	88,000
Shanghai RHXC	247,000	107,000	15,000	–	**369,000**	132,000	**501,000**	49.50%[6]	182,000
Shanghai Hong Shou Fang	–	48,000	14,000	–	**62,000**	22,000	**84,000**	100.00%	62,000
Shanghai Panlong Tiandi	151,000	–	44,000	4,000	**199,000**	87,000	**286,000**	80.00%	159,000
Wuhan Tiandi	72,000	–	1,000	–	**73,000**	36,000	**109,000**	100.00%	73,000
Wuhan Optics Valley Innovation Tiandi	109,000	118,000	15,000	–	**242,000**	115,000	**357,000**	50.00%	121,000
Foshan Lingnan Tiandi	–	–	1,000	–	**1,000**	–	**1,000**	100.00%	1,000
Chongqing Tiandi	238,000	258,000	201,000	26,000	**723,000**	296,000	**1,019,000**	19.80%	143,000
SUBTOTAL	**817,000**	**723,000**	**394,000**	**30,000**	**1,964,000**	**798,000**	**2,762,000**		**829,000**
PROPERTIES FOR FUTURE DEVELOPMENT:									
Shanghai Taipingqiao	81,000	–	21,000	–	**102,000**	71,000	**173,000**	50.00%	51,000
Wuhan Tiandi	39,000	70,000	3,000	–	**112,000**	–	**112,000**	100.00%	112,000
Wuhan Optics Valley Innovation Tiandi	97,000	366,000	333,000	–	**796,000**	1,000	**797,000**	50.00%	398,000
Wuhan Shipyard[7]	792,000	–	275,000	30,000	**1,097,000**	57,000	**1,154,000**	50.00%	549,000
Foshan Lingnan Tiandi	28,000	450,000	107,000	80,000	**665,000**	–	**665,000**	100.00%	665,000
Chongqing Tiandi	–	–	65,000	–	**65,000**	–	**65,000**	19.80%	13,000
SUBTOTAL	**1,037,000**	**886,000**	**804,000**	**110,000**	**2,837,000**	**129,000**	**2,966,000**		**1,788,000**
TOTAL LANDBANK GFA	**1,959,000**	**2,385,000**	**2,412,000**	**205,000**	**6,961,000**	**2,418,000**	**9,379,000**		**4,292,000**

Notes:

1 The Group has 99.00% interests in all the remaining lots, except for Shanghai Xintiandi, Shui On Plaza including Xintiandi Plaza, 15th floor in Shui On Plaza, 5 CA and Lot 116, in which the Group has effective interests of 100.00%, 80.00%, 100.00%, 44.55% and 98.00%, respectively.

2 The Group has 99.00% effective interests in all the remaining lots, except for The Palette 3, Hall of the Stars, Hall of the Moon, Parkview, Hall of the Sun and Ruihong Corporate Avenue, in which the Group has effective interests of 49.50%.

3 The Group has 44.27% effective interests in all the remaining lots, except for Shanghai KIC Lot 311 in which the Group has effective interests of 50.49%.

4 The Group has 99.00% effective interests in all the remaining lots, except for Lot B15, Lot B14 and Lot B13 Phase I in which the Group has effective interests of 19.80%.

5 The Group has 99.00% interests in Xintiandi Style II asset enhancement initiative ("AEI"), 25.00% interests in Lots 123, 124 & 132 for office and retail uses.

6 The Group has 49.50% effective interests in Lot 7 for residential use, and 49.00% interests in Lot 167.

7 The GFA of Wuhan Shipyard is preliminary estimates that are subject to further revision of the project plan.

The Group's 2021 ***revenue*** jumped by 282% to RMB17,555 million, compared to RMB4,597 million in 2020, mainly from a significant increase in property sales.

Property sales for 2021 increased sharply to RMB13,638 million (2020: RMB1,448 million), mainly comprised of RMB5,935 million from Taipingqiao Ville V, RMB4,115 million from Wuhan Tiandi La Riva II and RMB3,227 million from Panlong Tiandi. For comparison, property sales in 2020 were primarily contributed by Foshan Masterpiece (Lot 13a) which amounted to RMB959 million, with the remainder from sales of property and carparks inventories at different projects.

Rental and related income from property investment for 2021 increased to RMB2,259 million (2020: RMB1,874 million), representing a 21% Y/Y increase. During 2020, the operations and performances of our investment properties were significantly affected by the COVID-19 outbreak, resulting in a notable decline in rental and related income. There was no such negative impact during 2021.

Rental and related income from the Group's Shanghai properties, which accounted for 73% (2020: 74%) of the total, increased by 19% to RMB1,643 million (2020: RMB1,379 million). The rental and related income from the Group's non-Shanghai properties totalled RMB616 million in 2021, representing a 24% Y/Y increase. For further details on the performance of our commercial properties, please see the section on "Shui On Xintiandi".

Property management income for 2021 increased by 42% to RMB490 million (2020: RMB345 million), of which RMB318 million (2020: RMB210 million) was from services rendered to commercial properties, with the remaining income of RMB172 million (2020: RMB135 million) from residential properties.

Construction income increased to RMB835 million in 2021 (2020: RMB691 million). The increase was mainly generated from the decoration service rendered to the house owners of our developed properties.

Gross profit for 2021 recorded a 205% Y/Y increase to RMB7,173 million (2020: RMB2,350 million) which was from the significant increase in Group revenue, while gross profit margin declined to 41% (2020: 51%), due to a lower proportion of gross profit contributed by property investment, accounting for 26% (2020: 65%) of total gross profit.

Other income for 2021 declined 23% to RMB241 million (2020: RMB311 million), which is mainly comprised of bank interest income and interest income from joint ventures and associates. The fall in other income was due to the decrease in interest income from joint ventures loans.

Selling and marketing expenses for 2021 increased by 16% to RMB192 million (2020: RMB166 million), as a result of higher selling and promotional activities, which was in line with the robust 2021 property sales.

General and administrative expenses, which comprise staff costs, depreciation charges and advisory costs incurred, increased to RMB928 million in 2021 (2020: RMB804 million) alongside the business recovery.

Increase in fair value of investment properties totalled RMB35 million in 2021 (2020: decrease of RMB1,786 million). The investment property portfolio in Shanghai recorded a valuation gain of RMB179 million and the investment property portfolio outside Shanghai recorded a loss of RMB144 million. The significant decline in the fair value of our investment property portfolio in 2020 reflected the negative financial effects of the COVID-19 outbreak.

Other gains and losses recorded a net loss of RMB334 million in 2021 (2020: net loss of RMB454 million). The net losses mainly comprised of:

Gains/(losses)	2021 RMB'million	2020 RMB'million
Cost arising from hedging activities	**(213)**	(95)
Write-off of receivables	**(84)**	–
Loss from fair value change of derivative financial instruments	**(16)**	(154)
Premium for tender and exchange of senior notes	**–**	(69)
Loss from fair value change of liability arising from a rental guarantee arrangement	**(50)**	(79)
Payable for relocation costs written back	**–**	441
Impairment loss for commercial lands costs	**–**	(452)

Share of results of associates and joint ventures increased to RMB620 million in 2021 (2020: RMB328 million). Gains from property sales amounted to RMB407 million (2020: RMB385 million) which was mainly from RMB293 million in Wuhan Optics Valley contributions. In comparison, the gains in 2020 were primarily contributed by the JV project with GRANDJOY in RHXC (Lot 1) which commenced delivery of residential properties in 2020, generating a gain of RMB295 million. Net gains on investment property revaluation contributed RMB237 million (2020: loss of RMB56 million) which mainly comprised of RMB173 million from RHXC commercial properties and RMB57 million from 5 Corporate Avenue and Hubindao.

Finance costs, inclusive of exchange differences, totalled RMB895 million in 2021 (2020: RMB215 million). Total interest costs declined by 16% to RMB1,827 million (2020: RMB2,185 million) which was in line with our decreased outstanding balance of debt and reduced average cost of debt of 4.6% in 2021 (2020: 4.8%). Of these interest costs, 37% (2020: 53%) or RMB684 million (2020: RMB1,155 million) was capitalised as cost of property development, with the remaining 63% (2020: 47%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. An exchange gain of RMB255 million (2020: RMB863 million) was recorded as a result of the appreciation of the RMB against the HKD and the USD in 2021.

Taxation recorded an amount of RMB3,463 million in 2021 (2020: credit of RMB182 million), of which land appreciation tax was RMB1,916 million (2020: RMB225 million). The credit amount taxation in 2020 was due to the recognition of deferred tax assets deriving from tax losses and the reduction in deferred tax provision relating to the investment properties. PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, which is the proceeds of properties sales less deductible expenditure including costs of land, development and construction.

Profit for the year 2021 was RMB2,208 million (2020: loss of RMB233 million).

Profit attributable to shareholders of the Company for 2021 was RMB1,636 million (2020: loss of RMB740 million).

Core earnings of the Group are as follows:

	2021 RMB'million	2020 RMB'million	Change %
Profit/(loss) attributable to shareholders of the Company	**1,636**	(740)	
(Increase) /decrease in fair value of investment properties, net of tax	**(33)**	1,487	
Impairment loss on investment properties under development at cost and properties under development for sale, net of tax	**–**	342	
Share of results of associates and joint ventures – fair value (gain)/loss of investment properties, net of tax	**(236)**	55	
	(269)	1,884	
Non-controlling interests	**7**	(16)	
Net effect of changes in the valuation	**(262)**	1,868	
Profit attributable to shareholders of the Company before revaluation	**1,374**	1,128	
Add:			
Profit attributable to owners of perpetual capital securities	**234**	269	
Profit attributable to owners of convertible perpetual capital securities	**–**	49	
CORE EARNINGS OF THE GROUP	**1,608**	**1,446**	**11%**

Earnings per share for 2021 was RMB20.3 cents, calculated based on a weighted average of approximately 8,044 million shares in issue in 2021 (2020: loss per share RMB9.2 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue).

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

- Dividends payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company's shares) should not exceed 60% of the Company's consolidated profit for the two most recent semi-annual periods prior to payment of the dividend, unless certain conditions pursuant to the terms of the senior notes have been met.

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

In light of the Group's strong financials, the Board has resolved to recommend the payment of a 2021 final dividend of HKD0.084 per share (2020: nil).

Major Acquisition

1) In February 2021, the Group's 50/50 joint venture with Grosvenor Group completed the acquisition of a prime Grade-A office building with an ancillary retail podium and carparks in Xinjiekou, Nanjing.

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

3) In December 2021, the Group formed a JV company with Wuhan Real Estate Group Co., Ltd. on a 50/50 basis to acquire the land use rights of certain Wuhan Wuchang District lands for an aggregate consideration of RMB17,031 million. The land consists of three land parcels with a total site area of 332,381 sq.m.. It's permitted for residential use for a term of grant of 70 years, commercial services for a term of grant of 40 years and educational use for a term of grant of 50 years. For details, please refer to the circular issued by the Company dated 25 January 2022.

Liquidity, Capital Structure and Gearing Ratio

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

1) In February and March 2021, the Group fully repaid an aggregate principal amount of USD262 million at a yield of 5.700% per annum and an aggregate principal amount of RMB2,200 million senior notes at a yield of 6.875% per annum.

2) On 29 June 2021, the Group issued USD400 million sustainability-linked bonds with a maturity of five years due on 29 June 2026, bearing a coupon at 5.5% per annum.

3) In November 2021, the Group fully repaid an aggregate principal amount of USD346 million senior notes at a yield of 6.25% per annum.

The structure of the Group's borrowings as of 31 December 2021 is summarised below:

	Total (in RMB equivalent)	Due within one year	Due in more than one year but not exceeding two years	Due in more than two years but not exceeding five years	Due in more than five years
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	7,232	1,166	870	2,668	2,528
Bank borrowings – HKD	3,805	3,093	712	–	–
Bank borrowings – USD	8,710	2,165	4,910	1,635	–
Senior notes – USD	12,116	–	3,190	8,926	–
TOTAL	**31,863**	**6,424**	**9,682**	**13,229**	**2,528**

Cash and bank deposits totalled RMB17,284 million as of 31 December 2021 (31 December 2020: RMB15,796 million), which included RMB2,165 million (31 December 2020: RMB4,506 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2021, the Group's net debt was RMB14,579 million (31 December 2020: RMB21,063 million) and its total equity was RMB49,178 million (31 December 2020: RMB46,733 million). The Group's net gearing ratio was 30% as of 31 December 2021 (31 December 2020: 45%), calculated based on the excess of the sum of senior notes and bank borrowings net of bank balances and cash (including restricted bank deposits) over the total equity. Our stable financials should enable the Group to better withstand future volatile macroeconomic conditions.

As of 31 December 2021, HKD/USD borrowings including senior notes (unhedged), net off HKD/USD cash and bank deposits, amounted to approximately RMB12,897 million in equivalent, which is around 40% of the total borrowings (31 December 2020: 33%).

Total undrawn banking facilities available to the Group amounted to approximately RMB1,730 million as of 31 December 2021 (31 December 2020: RMB7,668 million).

Pledged Assets

As of 31 December 2021, the Group had pledged investment properties, property and equipment, right-of-use assets, properties under development for sale and receivables totalling RMB34,433 million (31 December 2020: RMB43,622 million) to secure the Group's borrowings of RMB9,319 million (31 December 2020: RMB11,921 million).

Capital and Other Development Related Commitments

As of 31 December 2021, the Group had contracted commitments for development costs, capital expenditure and other investments in the amount of RMB8,999 million (31 December 2020: RMB2,990 million).

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

The Group's revenue is denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the RMB senior notes and the RMB bank borrowings do not expose the Group to any exchange rate risk.

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and perpetual capital securities denominated in USD issued from 2017 to 2021. Thus, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 31 December 2021, the Group has entered approximately USD1,130 million and HKD750 million forward contracts, and USD300 million call spread contracts to hedge the USD and HKD currency risk against RMB. In addition, from 1 January 2022 until today, the Group has further entered USD600 million and HKD300 million forward contracts, and USD100 million call spread contracts. The Group continues to monitor closely its exposure to exchange rate risk and may further consider additional derivative financial instruments to hedge against its remaining exposure to exchange rate risk, if necessary.

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

On 31 December 2021, the Group had various outstanding loans that bear variable interest linked to Hong Kong Inter-bank Offered Rates ("HIBOR"), London Inter-bank Offered Rates ("LIBOR") and Loan Prime Rate ("LPR"). The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interest at variable rates at HIBOR and pay interest at fixed rates ranging from 0.27% to 0.54%; receive interest at variable rates at LIBOR and pay interest at fixed rates ranging from 0.22% to 0.235%, based on the notional aggregate amounts of HKD3,320 million and USD200 million respectively. The Group continues to monitor closely its exposure to interest rate risk and may further consider additional derivative financial instruments to hedge against its remaining exposure to interest rate risk, if necessary.

Save for disclosed above, as of 31 December 2021, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks and may employ derivative financial instruments to hedge against risk when necessary.

Contingent Liabilities

The Group provided guarantees of RMB2,672 million on 31 December 2021 (31 December 2020: RMB1,181 million) to banks in favour of its customers in respect of mortgage loans provided by banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

MARKET OUTLOOK

Following a 3.1% pandemic-induced contraction in 2020, the global economy registered a 5.9% expansion in 2021. The recovery has been uneven, with many low-income countries still unable to reach pre-pandemic output levels due to inadequate vaccine access and low vaccination rates, while surging asset prices and huge fiscal stimulus have enabled the advanced economies to outperform. At the start of 2022, there were growing signs of economic overheating in the US, prompting the Federal Reserve Board to quicken the pace of interest rate hikes. Meanwhile, a war in Ukraine has resulted in greater financial market volatility and increased capital outflow from the emerging markets, posing enormous economic headwinds for highly indebted nations.

While China is the global recovery pace setter, its economic growth momentum moderated to 4% in Q4 2021 amid monetary policy normalization and a property downturn. Regulatory tightening and intermittent COVID-19 outbreaks have dampened consumer and market sentiments. The World Bank's 2022 Global Economic Prospects cited elevated debt and a continuing epidemic with the emergence of the Omicron variant as key risks, prompting a downward revision of China's 2022 GDP growth forecast by 0.3% to 5.1%. China's monetary and fiscal policy stance has eased to safeguard macro stabilization. At the annual Central Economic Work Conference, policymakers highlighted economic construction as the national development priority. The credit policy for 2022 is expected to be prudent yet flexible to support economic growth, while a proactive fiscal policy will be implemented to speed up infrastructure investment.

Real estate financing was tightened following the introduction of the "three red lines" in August 2020. National residential sales slowed sharply in the second half year of 2021, but still recorded growth of 1.1% and 5.3% respectively in terms of sales area and revenue. Property market sentiments were hit by a string of high-yield debt defaults prompting authorities to tighten control over the use of development presale proceeds, creating cashflow problems for many property developers. In Q4 2021, the authorities acted to guide debt structuring for cash-strapped developers, and some control policies were fine-tuned to address refinancing bottlenecks. The residential property market is projected to undergo an orderly adjustment, achieving a soft-landing after slowing down in the first half of 2022.

China's commercial office market staged a recovery in 2021 as impacts of the pandemic dissipated. According to Savills, the net absorption of Grade-A office in 2021 for ten major Chinese cities doubled relative to levels seen in 2020. The rise in leasing activities was driven by companies from the technology, finance, healthcare and online service sectors, despite headwinds from a tougher regulatory environment. In 2021, Shanghai Grade-A office rents rebounded by 3.2% and net take-up topped 1.5 million sq.m., reversing two successive years of rental decline. Although market sentiment remains strong, rental growth is projected to moderate this year in view of ample pipeline supply in 2022.

Helped by reshoring of luxury goods consumption and new store openings, the retail property market scene was vibrant in 2021 despite sporadic COVID flare-ups in some cities. Shanghai retail rental registered 5.6% revenue growth in 2021, as vacancy rate dropped 1.5% to 7.0% under strong leasing demand from luxury and high-end fashion brands. According to Jones Lang LaSalle, an influx of new stores, including 15 shopping malls comprising 1.4 million sq.m. of retail space was inaugurated in Shanghai, and another 20 projects are primed for completion this year. With ample supply offering attractive architectural design and tenant mix coming on stream, competition is getting fierce and well-managed projects that offer distinctive shopper experience in prime location are projected to outperform.

Shanghai's economy expanded 8.1% to RMB4.32 trillion in 2021, underpinned by the strong momentum of "new economy" sectors including integrated circuit, biomedicine, and artificial intelligence. Foreign direct investment increased 11.5%, as the advanced economies reopened and staged a robust recovery. The municipal government has set this year's economic growth target at 5.5%. Shanghai relaxed the household registration scheme for high-end talent, and the program succeeded to increase 2021 registered population by 73,128, doubled that in the previous year. An acceleration in talent inflow bodes well for the government's plan to develop five new peripheral towns in Jiading, Songjiang, Qingpu, Fengxian, and Nanhui.

In 2021, Chongqing economy grew 8.3% to RMB2.79 trillion, supported by the accelerated growth of high-tech industries. The municipality aims to become an international consumption center with a strong capacity to support the development of Western China and the national Belt and Road initiatives. The municipal government has set a modest growth target of 5.5% for 2022. A new plan to build the Western Financial Center in the Chengdu-Chongqing Area by 2025 was announced in December 2021, with the goal of creating an important growth engine for high-quality economic development.

Wuhan staged a strong post-pandemic recovery to deliver 12.2% GDP growth in 2021, with both fixed asset investment and real estate investment increasing by 12.9% and 17.2%, respectively. Apart from strengthening its functions as technology and innovation center, the government has announced several green initiatives to improve the city's environmental sustainability. Wuhan has set targets to create 0.22 million new jobs, and to achieve 7.5% GDP growth in 2022. The city aims to strengthen its competitiveness under the national city cluster development plan, solidifying its role as the leading regional hub in Central China.

Foshan's economy expanded 8.3% to RMB1.22 trillion in 2021. The integration of Guangzhou-Foshan economies will be accelerated during the 14th Five-year Plan period, and an extension of Guangzhou metro line 7 to Foshan's Shunde district is set to commence operation in the first half of 2022. Foshan is set to benefit from a provincial policy announced in December 2021 to relax hukou restriction for cities in Guangdong that have permanent urban population of less than 3 million. This policy should support inflow of population and strengthen residential property demand in Foshan.

Nanjing endured the COVID-19 economic shock relatively well to achieve 7.5% GDP growth in 2021, joining ranks with the nation's ten largest cities in terms of economic size. Nanjing's population reached 9.3 million in 2020, representing average per annum growth of 0.94% over the last decade. The city currently ranks sixth nationally as the preferred employment destination for university graduates, behind Beijing, Hangzhou, Shanghai, Shenzhen and Guangzhou. The National Development and Reform Commission has approved the Nanjing Metropolitan Area Plan, which covers nearby cities in Jiangsu and Anhui province. The plan provides policy to support integrated city cluster development centered around Nanjing.

2022 is set to be a challenging year for China's economy. An outbreak of the Omicron variant has led to intermittent lockdown in many cities which creates hurdles for government efforts to boost confidence in the housing market. Globally, high inflation and US interest rate hikes will be headwinds that could disrupt economic recovery. Amid these challenges, China introduced the "Dual Circulation" and "Common Prosperity" strategies, aiming to ensure self-sufficiency while pursuing sustainable, higher quality development. For the property sector, the business model will be more rational, less dependent on high leverage and more focused on environmental sustainability. Under the new financing regulatory framework, more opportunities will arise for financially strong developers to seek growth through project acquisition and achieve business expansion.

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report for the year ended 31 December 2021.

Corporate Governance Practices of the Company

The Company is committed to enhancing its corporate governance practices and to pursuing the right balance between conformance and performance in its corporate governance. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholder value and stakeholders' confidence in the Company. Good corporate governance practices have enabled the Company to leverage its competitive advantages from many perspectives. The trust and support of the Company's stakeholders drive its continuing success and growth. The Company has experienced these benefits during its on-shore and off-shore fund raisings, as well as when entering into long-term strategic partnerships with renowned companies. From an ethical perspective, we believe our integrity has won the trust of the PRC Government, which has in consequence granted the Company more opportunities involving large scale metropolitan development projects.

The Company reviews its corporate governance practices from time to time to ensure it complies with all the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and aligns with its latest developments. The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of various procedures and documentation, which are detailed in this report. During the year ended 31 December 2021, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code, except for a deviation as specified with considered reason in the section headed "Nomination Committee" below.

Board of Directors

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has reserved for its decision or consideration matters concerning principally the Company's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointments or re-appointments, material contracts and transactions as well as other significant policies and financial matters.

The Board has delegated the daily operations and administration of the Company to the management. The respective functions of the Board and the management of the Company are published on the Company's website and are reviewed from time to time as appropriate. The Board had the full support of the senior management of the Company in discharging its responsibilities during the year ended 31 December 2021.

In addition, to assist in fulfilling its duties, the Board has established five Board committees with defined terms of reference, namely the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee and the Strategy Committee, and has delegated to these committees various responsibilities as set out in their respective terms of reference. The Sustainability Committee and the Strategy Committee were established in April 2021. The Finance Committee was dissolved by the Board with effect from 27 May 2021.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In addition, a written procedure has been established to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

Board Composition

Mr. Shane S. TEDJARATI ("Mr. Tedjarati") and Ms. Ya Ting WU ("Ms. Wu") were appointed as Independent Non-executive Directors of the Company on 18 January 2021 and 27 January 2021, respectively.

Ms. Ying WANG ("Ms. Wang") was appointed as an Executive Director and the Chief Executive Officer of the Company with effect from 1 January 2022.

At the date of this report, the Board comprises ten members in total, with four Executive Directors and six Independent Non-executive Directors ("INEDs"):

EXECUTIVE DIRECTORS
Mr. Vincent H. S. LO *(Chairman of the Board, Co-chair of the Strategy Committee, and member of the Remuneration Committee)*
Ms. Stephanie B. Y. LO *(Member of each of the Nomination Committee, the Sustainability Committee, and the Strategy Committee)*
Ms. Ying WANG *(Chief Executive Officer)*
Mr. Douglas H. H. SUNG *(Chief Financial Officer, Chief Investment Officer, and member of each of the Sustainability Committee and the Strategy Committee)*

INEDs
Professor Gary C. BIDDLE *(Chairman of the Audit and Risk Committee and member of each of the Remuneration Committee, the Nomination Committee and the Strategy Committee)*
Dr. Roger L. McCARTHY *(Member of each of the Audit and Risk Committee and the Sustainability Committee)*
Mr. David J. SHAW *(Member of the Audit and Risk Committee)*
Mr. Anthony J. L. NIGHTINGALE *(Chairman of the Remuneration Committee and member of the Strategy Committee)*
Mr. Shane S. TEDJARATI *(Chairman of the Nomination Committee and Co-chair of the Strategy Committee)*
Ms. Ya Ting WU *(Chairman of the Sustainability Committee)*

At the conclusion of the annual general meeting of the Company held on 27 May 2021 ("2021 AGM"), Sir John R. H. BOND ("Sir John") retired as an INED of the Company and ceased to be a member of the Nomination Committee of the Company. Apart from the above, during the year ended 31 December 2021, there was no change to the composition of the Board.

As a commitment to good corporate governance, the Company's Articles of Association stipulate that, subject to the provisions contained therein, the Board shall include a majority of INEDs. Currently, the Company has six INEDs representing more than half of the Board members. The number of INEDs who have appropriate professional qualifications or accounting or related financial management expertise exceeds the requirement as stipulated under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Notwithstanding that three out of six INEDs have served the Company for more than nine years, the Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules and affirmed that they remain independent and free of any relationship which could materially interfere with the exercise of their independent judgment.

The existing Directors, including the INEDs, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board to ensure its efficient and effective functioning. INEDs are invited to serve on the Board committees of the Company. Their active participation in the Board and the Board committees meetings brings independent judgment on issues relating to the Company's strategies, performance and management processes, considering the interests of shareholders of the Company. Site visits to the Company's projects are arranged from time to time to allow members of the Board to keep abreast of project developments. Due to the outbreak of coronavirus disease 2019 (COVID-19), no site visit has been arranged for the year 2021.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Board believes that the current composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making.

To enhance the Board's function and effectiveness, the Board conducted an evaluation of the performance of the Board and the Board committees for 2021. Each of the Board members provided evaluation on identified areas and also suggestions for improvement. The Company will continue to strive in improving its Board performance through this and other processes.

The list of current Directors and a description of their roles and functions were published on the websites of the Company and the Stock Exchange. Brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 98 to 104. Except that Ms. Stephanie B. Y. LO ("Ms. Lo") is the daughter of Mr. Vincent H. S. LO ("Mr. Lo"), none of the Directors has any relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors.

Board Diversity

With a view to enhancing the Board's effectiveness and corporate governance, the Company understands that increasing diversity at the Board level is essential to maintaining a competitive edge in the evolving market environment.

The Board Diversity Policy, which sets out the Company's approach to achieve board diversity, was adopted in March 2013 and updated in December 2021. Under the policy, in designing the composition of the Board and during selection of candidates, the Nomination Committee considers a number of diversity indicators, including but not limited to independence, gender, age, cultural and educational background, professional and industry experience, skills, knowledge, nationality, ethnicity and other qualities essential to the Company's business. The final decision is made based on merit and the contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board, and without focusing on a single diversity aspect. The Board Diversity Policy is publicly available on the website of the Company (www.shuionland.com/en-us/corporate/Policies).

Independent

Under the Board Diversity Policy, the Board shall include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As of 31 December 2021, six out of nine Directors were INEDs. Currently, six out of ten Directors are INEDs. The majority of the Board members are INEDs, who are free from any business or other relationship that may interfere with the independent judgement of the INEDs.

Gender

Under the Board Diversity Policy, the Board targets to appoint or maintain gender diversity in respect of the Board and targets to refrain from having a single gender in respect of the Board.

As of 31 December 2021, two out of nine Directors were females. With the appointment of Ms. Wang on 1 January 2022, three out of ten Directors are females.

Skills and Experience

To enhance the Board diversity while maintaining an appropriate balance between continuity of experience and Board refreshment and possessing a balance of skills appropriate for the requirements of the business of the Company, Mr. Tedjarati and Ms. Wu were appointed as INEDs of the Company on 18 January 2021 and 27 January 2021, respectively. The Nomination Committee took into consideration (i) Mr. Tedjarati's extensive experience in management and strategies for sustainable growth in China and abroad, (ii) Ms. Wu's extensive business experience and successful track record in the Mainland China consumer goods industry.

In addition, Ms. Wang was appointed as an Executive Director and the Chief Executive Officer of the Company on 1 January 2022. The Nomination Committee took into consideration Ms. Wang's extensive experience in property development, property investments and sales and marketing in PRC.

Brief biographical details of each of Mr. Tedjarati, Ms. Wu, and Ms. Wang is set out in the "Biographies of Directors and Senior Management" section on pages 98 to 104.

The Company is committed to creating a diverse and inclusive working environment for all employees. A working environment, where diversity is considered as its strength and discrimination of any kind is prohibited, has been created. As of 31 December 2021, female comprised 47% of the Group's workforce (including senior management). As announced in January 2022, the Company has been included in 2022 Bloomberg Gender-Equality Index, which is a modified market capitalization-weighted index that aims to track the performance of public companies committed to transparency in gender-data reporting.

Appointment, Re-election and Removal of Directors

The procedures and process of the appointment, re-election and removal of Directors are governed by the Company's Articles of Association, a copy of which has been published on the Company's website for public inspection. The Board, with the recommendation of the Nomination Committee, is responsible for reviewing the Board composition, developing and formulating the relevant procedures for the nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs.

Non-executive Directors of the Company, including INEDs, are subject to retirement by rotation at least once every three years and the re-election of Directors is pursuant to the Company's Articles of Association, the Listing Rules and any other applicable laws.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; and every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years.

The Company's Articles of Association also allow a qualified shareholder to propose a person, other than a retiring Director of the Company or a person recommended by the Directors, for election as a Director of the Company. The detailed requirements and procedure for such action have been published on the Company's website.

Induction, Training and Continuing Development for Directors

Each newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment to ensure that he/she has an appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, in order to facilitate the discharge of their responsibilities. During the year ended 31 December 2021, the Directors attended five training sessions organised by the Company and also perused to two ESG-related articles provided by the Company.

NAME OF DIRECTORS	ATTENDING BRIEFINGS / SEMINARS / CONFERENCES RELEVANT TO THE BUSINESS OR DIRECTORS' DUTIES	READING REGULATORY UPDATES OR ESG-RELATED MATERIALS
EXECUTIVE DIRECTORS		
Mr. Vincent H. S. LO	✓	✓
Ms. Stephanie B. Y. LO	✓	✓
Mr. Douglas H. H. SUNG	✓	✓
INEDs		
Professor Gary C. BIDDLE	✓	✓
Dr. Roger L. McCARTHY	✓	✓
Mr. David J. SHAW	✓	✓
Mr. Anthony J. L. NIGHTINGALE	✓	✓
Mr. Shane S. TEDJARATI	✓	✓
Ms. Ya Ting WU	✓	✓

In addition, individual Directors participated in forums and workshops organised by external professional consultants for continuous professional development. All Directors have provided the Company with their training records for the year ended 31 December 2021.

Board and Board Committees Meetings and Shareholders' Meetings

Number of Meetings and Directors' Attendance

The Company held the 2021 AGM and six Board meetings during the year. Directors' attendance records at Board and Board committees meetings and 2021 AGM are set out below:

	Meetings attended / held during tenure							
Name of Directors	Board meetings	2021 AGM	Audit and Risk Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	Strategy Committee meetings#	Sustainability Committee meeting#	Finance Committee meetings##
Executive Directors								
Mr. Vincent H. S. LO	6/6	✓	N/A	1/1	1/1	2/2	N/A	2/2
Ms. Stephanie B. Y. LO	6/6	✓	N/A	N/A	N/A	2/2	1/1	N/A
Mr. Douglas H. H. SUNG	6/6	✓	N/A	N/A	N/A	2/2	1/1	2/2
INEDs								
Sir John R. H. BOND*	2/3	–	N/A	N/A	1/1	N/A	N/A	1/2
Professor Gary C. BIDDLE	6/6	✓	5/5	1/1	1/1	2/2	N/A	2/2
Dr. Roger L. McCARTHY	6/6	✓	5/5	N/A	N/A	N/A	1/1	N/A
Mr. David J. SHAW	6/6	✓	5/5	N/A	N/A	N/A	N/A	N/A
Mr. Anthony J. L. NIGHTINGALE	5/6	✓	N/A	1/1	N/A	1/2	N/A	1/2
Mr. Shane S. TEDJARATI **	4/5	✓	N/A	N/A	N/A	2/2	N/A	N/A
Ms. Ya Ting WU ***	5/5	✓	N/A	N/A	N/A	N/A	1/1	N/A

* Sir John retired as an INED of the Company at the conclusion of the 2021 AGM.

** Mr. Tedjarati was appointed as an INED of the Company on 18 January 2021.

*** Ms. Wu was appointed as an INED of the Company on 27 January 2021.

\# The Strategy Committee and the Sustainability Committee were established in April 2021.

\## The Finance Committee was dissolved by the Board on 27 May 2021.

Practice and Conduct of Meetings

In observance of the CG Code and to facilitate the maximum attendance of Directors, regular Board and Board committees meetings are scheduled at least one year in advance. Draft agendas of each meeting are made available to Directors in advance to ensure that all Directors are given an opportunity to include matters in the agendas for regular Board and Board committees meetings.

Notices of regular Board and Board committees meetings are served to all Directors at least 14 days before the meetings. Board papers together with appropriate, complete and reliable information are sent to all Directors at least three days before each Board and Board committees meeting, or such other period as specified in the terms of reference of the relevant Board committees, to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and, when necessary, other Board and Board committees meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company. An informal meeting between the Chairman and INEDs was held in 2021, without presence of the executive directors/ management, to evaluate the performance of the Board and the management.

The Company Secretary is responsible for taking and keeping minutes of all Board and Board committees meetings. The minutes shall be open for Directors' inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes are normally sent to Directors for comment and records, respectively, in both cases within a reasonable time after such meetings.

According to current Board practice, any material transaction that involves a conflict of interest for a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The interested Directors shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board Committees

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

The terms of reference of the Board committees, which set out the Board committees' respective duties, are in line with the CG Code and are approved by the Board. The terms of reference of the Board committees are reviewed from time to time to cope with the latest amendments of the Listing Rules and needs of the Company.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit and Risk Committee

The Audit and Risk Committee currently comprises entirely INEDs, namely Professor Gary C. BIDDLE ("Professor Biddle") (Chairman of the Audit and Risk Committee), Dr. Roger L. McCARTHY ("Dr. McCarthy") and Mr. David J. SHAW. None of the members of the Audit and Risk Committee have any relationship with the Company's existing external auditor.

Audit and Risk Committee

Main duties of the Audit and Risk Committee include:

- To review the Company's financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditor before submission to the Board.
- To review and monitor the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the external auditor.
- To review the adequacy and effectiveness of the Company's financial controls, risk management and internal control systems and associated procedures.
- To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.

The terms of reference of the Audit and Risk Committee are published and available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Audit and Risk Committee held five meetings during the year ended 31 December 2021. The Audit and Risk Committee also held separate private meetings with the external auditor and the internal auditor during the year to discuss pertinent issues of the Company.

During the year ended 31 December 2021 and up to the date of this report, the Audit and Risk Committee had reviewed the Group's interim results for the six months ended 30 June 2021 and annual results for the years ended 31 December 2020 and 2021, including the accounting principles and practices adopted by the Company. No material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern had been found.

The Audit and Risk Committee had also reviewed the auditor's remuneration and made recommendation to the Board on the re-appointment of the auditor. The Audit and Risk Committee has the same view as the Board regarding the selection, appointment, resignation or dismissal of external auditors.

In addition, the Internal Audit and Risk Department ("IARD") provided a summary of the independent risk and control assessment to the Audit and Risk Committee in accordance with the approved risk-based audit plan. As the members of the Audit and Risk Committee were not able to visit the Company's projects due to the outbreak of COVID-19, the head of IARD updated them of major project progress during the private meetings.

The Audit and Risk Committee also reviewed the Company's policies and practices on corporate governance; the training and continuous professional development of Directors and senior management; the Company's policies and practices on compliance with legal and regulatory requirements; and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report as stipulated under code provision D.3.1 of the CG Code (code provision in effect till 31 December 2021).

Remuneration Committee

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

Remuneration Committee

Primary functions of the Remuneration Committee are:

- To review and make recommendations to the Board on the remuneration policy and structure of the Company.
- To evaluate and make recommendations on employee benefit arrangements.
- To determine the annual remuneration packages of the Executive Directors and the senior management and to make recommendations to the Board in respect of the remuneration of Non-executive Directors.
- To operate and administer the Company's share option schemes, share award schemes and other incentive schemes and make recommendation to the Board and shareholders of the Company on proposed grants of share options or share awards.

The terms of reference of the Remuneration Committee are published and available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Human Resources Department is responsible for collecting and administering human resources data and making recommendations to the Remuneration Committee for its consideration. The Remuneration Committee shall report to the Board about these recommendations on remuneration policy, structure and packages.

The Remuneration Committee held one meeting during the year ended 31 December 2021. During the year under review, the Remuneration Committee had reviewed the remuneration policy and structure of the Company; the current remuneration package of Executive Directors, INEDs and senior management; as well as the incentive plans for the employees of the Group.

Nomination Committee

The Nomination Committee currently consists of three members, namely Mr. Tedjarati (Chairman of the Nomination Committee), Professor. Biddle and Ms. Lo. Mr. Tedjarati and Professor Biddle are INEDs.

Following Sir John's retirement as an INED and cessation of a member of the Nomination Committee, the Board required additional time to identify suitable candidate to fill up the vacancy. The Nomination Committee did not comprise a majority of INEDs as stipulated in the code provision A.5.1 of CG Code (code provision in effect till 31 December 2021). With the appointment of Mr. Tedjarati as Chairman of the Nomination Committee, the Company has complied with that code provision.

Nomination Committee

Primary functions of the Nomination Committee are:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually.
- To assess the independence of INEDs.
- To identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship.
- To have a policy concerning diversity of Board members, or to annually review the policy on Board diversity (and its implementation) as may be adopted by the Board from time to time.

The terms of reference of the Nomination Committee are published and available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Nomination Committee held one meeting during the year ended 31 December 2021. During the year under review and up to the date of this report, the Nomination Committee had (i) assessed the independence of INEDs and made recommendation to the Board on re-appointment of Directors; (ii) reviewed the structure, size and composition of the Board with reference to the Board Diversity Policy to complement the Company's strategy; (iii) reviewed the Board Diversity Policy to ensure that it aligns with the Listing Rules and the CG Code.

Nomination Process

Appointment and re-appointment of Directors are made in accordance with the Company's Articles of Association, the Listing Rules and other applicable rules and regulations. In assessing the suitability of candidates, the Nomination Committee has a policy for nomination of directors, which is the "Nomination Policy".

Nomination Policy

The Nomination Committee shall consider, among other criteria, the following factors in assessing the suitability of individuals nominated for directorship:

a) Reputation for integrity;

b) Accomplishment, experience and reputation in the real estate industry, in particular for individuals nominated for executive directorship;

c) Time commitment and attention to the businesses of the Company and its subsidiaries;

d) Diversity of perspectives, including but not limited to the measurable objectives stated in the Company's Board Diversity Policy, details of which can be found on pages 57 to 58;

e) Independence, in particular for individuals nominated for independent non-executive Directors;

f) Expertise and experience relating to economic, environmental, and social topics;

g) Any other relevant factors as may be determined by the Nomination Committee from time to time as appropriate.

For the nomination of members of the Board committees, after consultation with the respective chair of the Board committee, the Nomination Committee will present to the Board a specific proposal for election or re-election of individual members as Board committee members.

Sustainable Development

The Group's sustainability governance structure has been revamped to facilitate effective implementation of the "5C" sustainable development strategy, including Clean, Culture, Community, Care and Corporate Governance. The Board has overall responsibility for our sustainable development efforts. The Sustainability Committee, consisting of selected Directors, meets regularly to discuss and make decisions on sustainability goals. The Sustainability Committee directly monitors and guides our overall sustainability performance and may delegate certain of its responsibilities to the Sustainable Development Executive Committee. The responsibility for specific proposals and the implementation of specific goals at the operational level is delegated to five cross-departmental C Working Teams. Each team holds the key performance indicators (KPIs) of the goals, meets every month to drive implementation, and solves problems as they arise. KPIs are cascaded to relevant companies and departments for execution. The Sustainable Development Executive Committee and each C Working Team report its progress and status to the Sustainability Committee for review on a regular basis, and the Sustainability Committee provides consolidated reports to the Board. Details of the "Sustainable Development Report" are set out on pages 78 to 97.

Sustainability Committee

The Sustainability Committee was established in April 2021 and currently consists of four members, namely Ms. Wu (Chairman of the Sustainability Committee), Dr. McCarthy, Ms. Lo and Mr. Douglas H. H. SUNG ("Mr. Sung"). Half of the members of the Sustainability Committee are INEDs.

Sustainability Committee

Primary duties of the Sustainability Committee are:

- To propose and recommend to the Board on the Company's sustainable development ("SD") strategies, priorities, initiatives and goals.
- To monitor and review on an annual basis the performance of the Company in achieving targets or key initiatives recommended by the sustainable development executive committee.
- To oversee, review, and suggest any changes and improvements to the Company's strategies, policies and practices in respect of SD strategy of the Group ("SD Strategy") from time to time and make recommendations to the Board for approval and support the alignment of the SD Strategy to business objectives.
- To review and report to the Board any significant risks, opportunities, or investments in connection with the implementation of the SD Strategy and any material matters (whether financial or otherwise) arising from such review.

The terms of reference of the Sustainability Committee are publicly available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Sustainability Committee held one meeting in 2021. During the year under review, the Sustainability Committee had (i) reviewed the 10-year Sustainability Strategy and Targets; (ii) suggested 2021 strategic focus and key performance indexes; (iii) reviewed Sustainable Development Report 2020; and (iv) discussed the issuance of Sustainability-Linked Bonds.

Strategy Committee

The Strategy Committee was established in April 2021 and currently consists of six members, namely, Mr. Lo (Co-Chair of the Strategy Committee), Mr. Tedjarati (Co-chair of the Strategy Committee), Professor Biddle, Mr. Nightingale, Ms. Lo and Mr. Sung. Half of the members of the Strategy Committee are INEDs

Strategy Committee

Primary duties of the Strategy Committee are:

- To provide guidance on the long-term strategic positioning and vision plan of the Group.
- To review and make recommendations to the Board on the formulation of the near to medium-term strategic focus.
- To provide guidance on the medium to long-term challenges of the Group.
- To review and make recommendations to the Board on the annual operational plans and business proposals for the Company.

The terms of reference of the Strategy Committee are publicly available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Strategy Committee held two meetings during 2021. During the year under review, the Strategy Committee had reviewed the Company's business planning, 5-year financial outlook and business opportunities.

Chairman and Chief Executive

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

With effect from 1 January 2022, Ms. Wang was appointed as the Chief Executive Officer of the Company. The roles of Chairman and the Chief Executive of the Company are separated and currently performed by Mr. Lo and Ms. Wang, respectively.

Model Code for Securities Transactions

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

Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

To comply with code provision A.6.4 of the CG Code (code provision in effect till 31 December 2021), the Company has established and adopted a Code for Securities Transactions by Relevant Employees (as defined by the Listing Rules), on terms no less exacting than the Model Code, to regulate dealings in the securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities because of their offices or employment.

No incident of non-compliance with the Model Code by the Directors and the Code for Securities Transactions by Relevant Employees was noted by the Company during the year ended 31 December 2021.

Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Board is responsible for overseeing the preparation of the financial statements of the Company and reviewing the same to ensure that such financial statements give a true and fair view of the state of affairs of the Company and relevant statutory requirements and applicable accounting standards are complied with.

The management provides such explanation and information to the Board to enable the Board to make an informed assessment of the financial information and position of the Company that is put forward to the Board for approval.

The statement of the external auditor of the Company about its reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on pages 117 to 120.

Risk Assessment and Management

Strategic Planning

In 2021, the Company continued the implementation of its asset-light business model and at the same time replenished its landbank. This business strategy has allowed the Company to expand its commercial portfolio with long-term strategic partners, capture new business opportunities and create more value for shareholders.

The Company continued to develop its competitive advantages in innovation and to strive for excellence. Strategic action plans were developed, implemented and monitored by relevant executives and management to improve services and enhance the customer experience so as to achieve an operational model that is market-driven and customer-focused. The Company also developed balanced scorecards to measure individual performance in relation to these corporate objectives.

Resources Planning and Cost Controls

During the year ended 31 December 2021, the Company's main focus as regards resources planning remained fund raising through various means to expedite the completion of maturing projects, to strengthen its ability to manage its retail resources to meet future challenges, as well as to replenish quality landbank in Shanghai and Wuhan. This was carried out successfully, enabling the Company to increase its focus on delivering on the targets in its business plan.

Management continues to focus on controlling costs over the short and long term, enhancing the Company's cost-conscious culture and behaviour, as well as reviewing and monitoring the Company's expenditures.

Enterprise Risk Management

The Company has had a risk identification and management process in place from virtually its initial public listing. The Company has elected to formalise its existing risk management system through a Risk Management Policy, to reference explicitly its conformance to the guidance set forth in Appendix 14 of the Listing Rules.

A "Top-Down" approach is adopted in the Company's risk management framework as this most accurately reflects the Company's risk profile. The Company recognises that the overwhelming majority of its corporate risk stems from uncontrollable events in its business and operating environments, which can only be addressed by Board level policy. Thus, the most effective enterprise risk management is facilitated by strong oversight exercised by the Board of Directors, the Audit and Risk Committee and the EXCOM in the establishment and maintenance of the risk management policy, framework and programme. These oversight components provide leadership and guidance that the business needs in order to focus, balance risk and reward, and steer the Company in the planned direction. This approach ensures clarity about the most extreme/high risks involved in shaping the Company's objectives and performance, supports risk related decisions at the Board/EXCOM and ensures effective communication amongst the management and operations teams with a view to identifying and reporting new risks of potentially strategic importance to senior management.

The project directors and functional department heads of the Company are responsible for operational risk assessment. The operational risk assessment comprises risk identification, risk assessment and prioritisation, risk response, risk monitoring and risk reporting. The Audit and Risk Committee requires relevant management to present risk assessment/management updates of their responsible functions periodically. For example, business development function provided a recent presentation to the Audit and Risk Committee. Additionally, the IT and Cybersecurity Department was required to present updates on information technology security and compliance with relevant laws and regulations on data privacy in each Audit and Risk Committee meeting. The head of IARD had also shared the emerging risks faced by the Company and new management initiatives with the Audit and Risk Committee members. Details about the Group's risk management framework and risk assessment, including ESG-related risk management measures, are set out in the "Risk Management Report" on pages 75 to 77.

Internal Controls

During the year ended 31 December 2021, management and the IARD conducted reviews of the effectiveness of the Company's system of internal controls, including those of its subsidiaries and major associates. The Audit and Risk Committee reviewed the summary report prepared by the internal auditors on the effectiveness of the Company's system of internal controls and reported its summary results to the Board covering all material controls, including financial, operational and compliance controls and risk management functions. The Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Company is in the process of updating its policies and procedures to reflect ongoing organisational changes.

Internal Audit and Risk

During the year ended 31 December 2021, the head of IARD functionally reported to the Chairman and with effect from 1 October 2021 reported to Ms. Lo, and had full and free access to the Audit and Risk Committee. The internal audit charter allows the internal auditors to have unrestricted access to all functions, records, property and personnel, while maintaining appropriate confidentiality in performing their work.

The IARD helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management, internal control and governance processes. The IARD performs internal audit services in accordance with the International Standards for The Professional Practice of Internal Auditing as well as the Code of Ethics issued by the Institute of Internal Auditors. In addition, it applies the Internal Control – Integrated Framework and Enterprise Risk Management – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and shared the relevant concepts with management to help enhance the internal control and risk management system of the Company. It formulates a risk-based internal audit plan based on interviews and discussion with management and staff for the Audit and Risk Committee's approval.

During the year ended 31 December 2021, the IARD issued reports to the Chairman and relevant management personnel covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit and Risk Committee together with the status of the implementation of their recommendations in each Audit and Risk Committee meeting.

To help further enhance the effectiveness of the risk management system of the Company and refine the work related to risk management, the IARD has taken the following initiatives:

- Conduct risk management trainings at each project when performing audits.
- Review the risk inventory with relevant management/staff.
- Perform various data analysis to identify abnormal cases/red-flag items and pass the information to Corporate Finance and/or relevant business departments for follow up.

The IARD has continued to work on their risk management initiatives and also assisted senior management in refining the ethics-related processes and practices. In particular, the IARD has embedded ethics trainings in all audit sections and risk interviews with management and continuously assessed the "control environment" and "tone at the top" with a view to enhancing the Company's ethical culture.

Ethical Corporate Culture

The Company has established various policies, including its Code of Conduct and Business Ethics to govern business ethics and best practices. The Company emphasises integrity as an important foundation of its corporate culture and a strategic choice, and leverages it as one of its competitive advantages. The Company's Code of Conduct and Business Ethics regulates, included but not limited to, conflicts of interests (external work, business relationships with family members and interested parties, corporate opportunities), business practices (discrimination and harassment, confidentiality, proper use of company assets), business relationships (fair dealing, gifts and hospitality, external contributions), financial dealings (financial records, controls and reporting) and is applicable to all wholly-owned subsidiaries of the Group.

New staff will undergo an introduction to ethics in their orientation and are requested to complete a declaration of their commitment to abide by the Company's Code of Conduct and Business Ethics. In addition, they are required to join an online ethics training session upon completion of their probationary period. Ethics training is developed by the Human Resources Department with the help of Ethics Committee and IARD and various training sessions were delivered to staff during 2021.

In addition, the Chairman of the Ethics Committee has been invited to share information on ethics initiatives with rank-and-file employees during the "Boss Lunch" event organised by the Project Lighthouse, an internal taskforce designated to implement various initiatives to enhance corporate culture.

Before the end of each year, all staff of manager grade and above, together with other selected staff, must complete an online declaration of their compliance with the Company's Code of Conduct and Business Ethics in all their business dealings. An online refresher course with tailor-made ethics cases was also included at the same time. As of 31 December 2021, 100% out of the relevant staff have already signed the online declaration.

Pursuant to the Company's Code of Conduct and Business Ethics, the Company uses only those agents, representatives, consultants, contractors, subcontractors, business partners, resellers, sales and marketing agents, or suppliers who have met or exceeded the Company's high standards and entered into the appropriate written agreements in strict compliance with the Company's Code of Conducts and Business Ethics, unless their own business ethics policies shall be more stringent than that of the Company's.

The Company's Code of Conduct and Business Ethics was updated to provide guidance on evolving ethics-related scenarios with effect from 1 January 2022, details of which are publicly available on the Company's website (www.shuionland.com/en-us/corporate/CodeOfConductBusinessEthics).

Anti-Fraud Measures

An Irregularities Reporting System (or whistle-blowing system) was introduced for reporting violations of the Company's Code of Conduct and Business Ethics as well as for making complaints about integrity-related matters from staff, vendors, customers and/or business partners. Telephone hotline (86-21-53829390) and special e-mail addresses (irsx@shuion.com.cn and irs@shuion.com.cn) were set up to enable any such complaints to reach the Chairman of the Audit and Risk Committee or the Chairman of the Ethics Committee. At each Audit and Risk Committee meeting, a summary report of the complaints received and their follow-up results are tabled for review.

In order to enhance anti-fraud awareness, news clippings on fraud cases occurred in the real estate industry has been collated and sent by the IARD to key executives on a quarterly basis. In addition, the Fraud Risk Management Guide issued by COSO has been adopted to assist management in preventing and managing fraud risks associated with all business processes and annual fraud risk self-assessment has been conducted using a standardised questionnaire.

The Ethics Committee also issued an Irregularity Reporting Policy. This policy clarifies the Company's treatment and procedures for handling potential violations that have been reported, but at the same time tries to discourage abuse by disgruntled employees or ex-employees.

External Auditor and Auditor's Remuneration

The remuneration paid/payable to the external auditor of the Company in respect of audit and audit-related services and non-audit services for the year ended 31 December 2021 is set out as follows:

Services rendered for the Company	Fee paid/ payable (HKD 'M)
Audit and audit-related services:	
Annual audit of the financial statements of the Company and its subsidiaries	4.7
Review of interim report for the six months ended 30 June 2021	1.1
Audit of the financial statements of Shui On Xintiandi Limited and its subsidiaries for initial public offering reporting periods	6.9
Non-audit services:	
Tax compliance review and advisory services	1.8
Issue of the comfort letter in respect of the senior notes of the Company	1.2
Issue of letters of indebtedness statements and working capital statements in respect of the major transactions	1.1
Review of internal control of Shui On Xintiandi Limited and its subsidiaries	1.0
TOTAL	**17.8**

Annual Remuneration of Directors and Senior Management

The remuneration of the Directors and the senior management of the Company is determined in accordance with the Company's remuneration policy and structure and in consideration of the criteria set out in the "Remuneration Committee" section on page 62.

Pursuant to code provision B.1.5 of the CG Code (code provision in effect till 31 December 2021), the remuneration of the members of the senior management by band for the year ended 31 December 2021 is set out below:

Annual remuneration by band	Number of individuals
RMB2,000,001 – RMB4,000,000	1
RMB4,000,001 – RMB6,000,000	3
RMB6,000,001 – RMB8,000,000	1
RMB8,000,001 and above	2

Details of the remuneration of the Directors for the year ended 31 December 2021 are set out in note 10 to the consolidated financial statements.

In 2021, the director's fee was fixed at HKD300,000 per annum for each INED. In the event that an INED serves on the Board committees, the relevant director was entitled to pay an additional fee of (i) HKD100,000 per annum and HKD150,000 per annum for acting as a member of and the Chairman of Audit and Risk Committee, respectively; (ii) HKD50,000 per annum for acting as a member of the Nomination Committee; (iii) HKD50,000 per annum and HKD100,000 per annum for acting as a member of and the Chairman of the Remuneration Committee, respectively; (iv) HKD50,000 per annum for acting as a member of the Finance Committee (up to May 2021); (v) HKD50,000 per annum and HKD100,000 per annum for acting as a member of and the Chairman of Sustainability Committee (starting from April 2021), respectively; and (vi) HKD100,000 per annum and HKD150,000 per annum for acting as a member of and the Chairman of Strategy Committee (starting from April 2021), respectively.

Given the revised fee structure, with effect from 1 January 2022, the director's fee is fixed at HKD400,000 per annum for each INED. The additional fee of serving on Board committees will be (i) HKD150,000 per annum and HKD300,000 per annum for acting as a member of and the Chairman of the Audit and Risk Committee, respectively; (ii) HKD80,000 per annum and HKD150,000 per annum for acting as a member of and the Chairman of the Nomination Committee; (iii) HKD80,000 per annum and HKD150,000 per annum for acting as a member of and the Chairman of the Remuneration Committee, respectively; (iv) HKD120,000 per annum and HKD175,000 per annum for acting as a member of and the Chairman of Sustainability Committee; and (v) HKD120,000 per annum and HKD175,000 per annum for acting as a member of and the Chairman of Strategy Committee, respectively.

The current remuneration package of Executive Directors (excluding Mr. Lo) and senior management consists of basic remuneration and performance-linked remuneration. The basic remuneration is a fixed remuneration which is determined for each position in consideration of their duties, responsibilities, individual performance and market conditions. The performance-linked remuneration including annual discretionary bonus is a short-term incentive which is determined in accordance with the actual business results of the Company as well as individual performance in the previous financial year.

Dividend Policy

Declaration of dividend by the Company is subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the Company's Articles of Association. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account a number of factors including the Group's financial condition and cashflow, as well as prevailing economic and market conditions.

Dividend payable to shareholders of the Company is also subject to compliance with certain covenants under the senior notes and perpetual capital securities issued, details of which can be found on page 49.

Communications with Shareholders and Investors/Investor Relations

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. A Shareholders' Communication Policy has been published and is available on the Company's website.

To enhance the transparency of corporate information and comply with the relevant regulatory regime, the Company also publishes announcements of contracted sales figures on a quarterly basis through the electronic publication system of the Stock Exchange as well as the website of the Company for equal, timely and effective access by the public. These quarterly sales updates announcements are prepared on the basis of internal management records.

In addition, the connected and major transactions are reviewed and assessed by the Board or an independent Board committee as required for such purposes before submission at shareholders' meetings for approval and/or public disclosure (if necessary).

The Company uses various channels and platforms, including its annual and interim results announcements, press conferences and analyst briefings, as well as various industry conferences, to ensure the timely release of important messages.

In 2021, Shui On Land Limited was awarded the 2021 HKMA Best Annual Reports Awards – Certificate of Excellence in Environmental, Social and Governance Reporting organised by the Hong Kong Management Association. The Company was also awarded "Best Investor Relations Company" in the Asia Excellence Award by Corporate Governance Asia whereas Mr. Sung, Executive Director, Chief Financial Officer and Chief Investment Officer, was awarded "Best CFO – Investor Relations" in the same ceremony.

Information released by the Company to the Stock Exchange is concurrently published on the Company's website, which is regularly updated with corporate developments. Key events regarding financial results, business developments and operations are also announced on a timely basis to investors through the corporate website. Request forms for site visits and management meetings, as well as contact details of persons on the investor relations team can also be found on the Company's website.

To maintain and improve the visibility of the Company in the financial community, the Company held regular roadshows and participated in investor conferences during the year ended 31 December 2021, including UBS Greater China Conference, Citi Hong Kong/China Property Conference, Bank of America Asian Credit Conference and Nomura Asian High Yield Corporate Day. The management and the investor relations team discussed the Company's business updates and strategies with over a hundred investors in conference calls and video meetings.

The general meetings of the Company provide the best opportunity for the exchange of views between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee and the Strategy Committee or, in their absence, other members of the respective Board committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings. The Chairman of the independent Board committee (if any) is also available to answer questions at any general meeting for approval of a connected transaction or any other transaction that is subject to independent shareholders' approval.

Most of the Directors were present at the 2021 AGM. The general meetings provided shareholders with a useful forum to exchange views with the Board.

In compliance with the HKSAR Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of COVID-19, the Company has implemented precautionary measures at the 2021 AGM in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the 2021 AGM.

The Company continues to enhance communications and relationships with its investors. Designated members of the senior management of the Company maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner.

Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association.

Poll results are made available by way of an announcement, which is published in accordance with the Listing Rules.

Pursuant to Article 66 of the Company's Articles of Association, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to require an Extraordinary General Meeting of the Company ("EGM") to be called by the Board by written requisition to the Board or the Company Secretary of the Company. Shareholders should specify the business they wish to discuss at the EGM in the written requisition. Shareholders may put forward proposals at general meetings of the Company in the same manner as set out above.

The Board shall arrange to hold the EGM within 2 months after deposit of such requisition. If within 21 days of deposit of the written requisition the Board fails to proceed to convene the EGM, the shareholders themselves may do so in the same manner, and all reasonable expenses incurred by the shareholders shall be reimbursed to the shareholders by the Company.

Shareholders may at any time direct their enquiries about the Company to the Board by writing to the Company's place of business in Hong Kong at 34/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong, or by email to sol.ir@shuion.com.cn. The contact details are available on the Company's website (www.shuionland.com/en-us/investor/Contact).

Shareholders may also put forward their enquiries to the Board at the general meetings of the Company.

Company Secretary

Mr. UY Kim Lun, our Company Secretary, is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with the shareholders and with the management. During the year ended 31 December 2021, Mr. UY had undertaken not less than 15 hours of relevant professional training to update his skills and knowledge.

Constitutional Documents

There was no change in the constitutional documents of the Company during the year ended 31 December 2021.

Corporate Governance Enhancement

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but involves promoting and developing an ethical and healthy corporate culture. The Company is committed to maintaining a high standard of corporate governance within a sensible framework, with an emphasis on the principles of transparency, integrity, accountability, sustainable development and independence. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. With the revised CG Code becoming effective from 1 January 2022, the Company has been closely following the evolving trends and will strive to meet or exceed the revised CG Code. We have also experienced the trust of our shareholders, especially our minority shareholders, noting that they and the investment analyst community have lent the Company their full support based on their recognition of our efforts to enhance corporate governance. All views and suggestions from our shareholders to promote transparency are welcome.

The Company is committed to the continual improvement of its risk management and internal control systems to ensure the long-term sustainability of its business.

Before its initial public offering, the Company established and has since continually operated a risk identification and management system under the responsibility of the Audit and Risk Committee. Our approach and methodology in establishing the risk management mechanism is tailored to the Company's complex business, as it operates in numerous locations throughout the PRC. The Company's internal risk management system exceeds the regulatory requirements and was instituted to enhance the risk management of the Group. The Company has elected to formalise its existing risk management system by a Risk Management Policy to reference explicitly its conformance to the guidance set forth in Appendix 14 of the Listing Rules.

Risk Management Framework

The Group's risk management framework comprises a risk governance structure and a risk management methodology and programme.

(i) Risk Governance Structure

Line of Strategic Defence	Board of Directors
Internal Audit and Risk Department	Audit and Risk Committee
Line of Management Defence	Executive Committee ("EXCOM')
Line of Operational Defence	Business/ Corporate Functions

The Board is ultimately responsible for overseeing the Group's risk management and internal control systems and ensures review of their effectiveness at least annually.

The Audit and Risk Committee has been delegated the responsibility by the Board of overseeing the corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, as well as the resourcing of the finance and internal audit functions.

The EXCOM of the Company assists the Board and the Audit and Risk Committee in overseeing the risk management system on an ongoing basis, ensuring that the risk management culture is fostered and the system is implemented effectively in daily operations, as well as to arbitrate risk management policies that involve conflicts between functional divisions.

The Internal Audit and Risk Department ("IARD") carries out the role of an independent assessor by following the Enterprise Risk Management – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO") and the Three Lines Model issued by the Institute of Internal Auditors. It performs analysis and independent appraisals to assess the adequacy and effectiveness of the Company's risk management framework and programme. As the ESG-related risks have been rapidly evolving in recent years, it has applied the ERM framework to monitor the ESG-related risks in accordance with the relevant guidelines issued by the COSO. The IARD reports the results of the independent risk and control assessment to the EXCOM and provides a summary to the Audit and Risk Committee.

In 2021, climate change risk exposure, including the extreme weather risks, properties located in the flood hazard areas, together with the relevant risk-mitigation strategies were discussed in the Audit and Risk Committee meetings.

The Business/Corporate Functions of the Group assist the EXCOM in the development and approval of policies to limit the risks consistent with the Company's business model, participate in the implementation and monitoring of the risk management programme, identify the risks associated with business activities within the Group's own Business/Corporate Functions, together with their impact and vulnerability, manage and conduct risk and control self-assessment to evaluate the effectiveness of controls that are in place to mitigate the risks.

(ii) Risk Management Methodology and Programme

The Company has developed a risk management framework and programme customised to its business model to manage the business and operational risks of the Group. The key processes used to identify, evaluate and manage the Group's significant risks are as follows:

(a) Risk Identification

Business/Corporate Functions, which directly oversee their respective processes, are responsible for identifying the potential risks of their processes that arise in their daily operations. Risks identified during the risk identification process should be reflected in the risk inventory collated by the risk coordinator and subsequently tested for control effectiveness by the IARD. The major identified risks are summarised as follows:

The Company's Major risks:

Business

- Succession to the Chairman
- Potential adverse impact from change of government policies and regulations
- Competition from other property developers in major cities
- Financial aspects (e.g. liquidity and financial default)

ESG/ Sustainable Development

- Climate change and climate-related risks (e.g. emissions management and energy-saving)
- Workplace, health & safety
- Corporate governance-related issues

Outbreak of COVID-19

- Change of government policies and regulations
- Construction aspects (e.g. delay in project construction schedule and increase in construction costs)
- Adverse impact on operation

(b) Risk Assessment and Prioritisation

Risks are continually evaluated and the top risks of the Company are prioritised for the development of risk management plans.

(c) Risk Response

The EXCOM shall review the risks identified and will be responsible for formulating risk mitigation plans for the significant risks identified relating to their processes.

There are in general two types of risk response:

Acceptance: Risks being considered as immaterial, acceptance is based on the risk appetite of the Company and therefore no action is considered necessary.

Reduction: For risks that cannot be considered immaterial, actions such as greater management controls, automation in monitoring, alarms, etc., should be considered to reduce the impact and vulnerability as far as is practicable.

The risk mitigation measures for risks that are potentially material should be approved by the EXCOM.

(d) Risk Monitoring

Monitoring is a key component of the risk management system and ensures that risks are identified and communicated in a timely manner to those responsible for taking corrective action and to the Board as appropriate. The IARD would review the risk mitigation measures for risks that were potentially material and report their effectiveness to the management for further actions, if necessary.

(e) Risk Reporting

Annual risk assessment is conducted to manage the Company's risk profile effectively. The Audit and Risk Committee provides continuous updates to the Board at the regularly scheduled meetings throughout the year based on the risk inventory collated by the risk coordinator and the respective key control effectiveness testing results reported by the IARD.

Relevant policies and controls have also been long established to ensure that assets are safeguarded against improper use or disposal, relevant regulations are complied with, the financial and accounting records are prepared and maintained according to relevant accounting standards and regulatory reporting requirements, and major risks that may impact on the Group's performance are identified and managed appropriately. It should be acknowledged that the risk management framework can only provide reasonable, but not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure in achieving the business goals of the Company.

The ever-evolving landscape of ESG-related risks continue to have a significant impact on the Group's business operations, and these risks have been incorporated into the enterprise risk management framework to better identify the full spectrum of ESG-related risks. For details, please refer to the "Sustainable Development Report" on pages 78 to 97.

SUSTAINABLE DEVELOPMENT REPORT

Approach to Sustainable Development

Since the inception of Shui On Land, we have aimed to be a sustainable development (SD) leader in the real estate and asset management industry in Mainland China. Our business model has balanced financial profitability with sustainability, social and environmental impacts, as well as our contribution to local and regional economies. Indeed, SD is an important cornerstone of the Group's business and is reflected in our corporate vision to be a pioneer of sustainable premium urban communities.

Our approach to SD effectively encompasses all aspects of responsible environmental, social, and governance (ESG) management. We employ a human-centric, sustainable attitude to crafting master-planned communities, and we recognise our role as an urban property developer to help fulfil local, national, and international carbon neutrality and net-zero commitments.

On Becoming a Pioneer in Sustainable Urban Communities

To advance our work in this area, we formulated and launched a 10-year 5C Sustainable Development Strategy (5C Strategy) in 2021 – pointing the way for the Group's sustainable future. The 5C Strategy is built around the 5Cs that bind our corporate vision and operational practices: Clean, Community, Culture, Care and Corporate Governance.

Ambition: For all our communities to encourage and enable healthy, sustainable living and to make our community sustainability practices among the best in China

To achieve this, our priorities are to:

– Enhance partnerships and engagement for thriving sustainable communities
– Embed health and sustainability into our online-merge-offline community experience
– Strengthen an innovative and entrepreneurial ecosystem

Community

Ambition: Provide all employees with equal opportunities for holistic career development, while maintaining the highest health and safety standards in the workplace and ensuring openness to diversity of thought and innovation enabling them to be accountable members of society

To achieve this, our priorities are to:

– Provide equal opportunities in training and development
– Create a diverse and inclusive workplace
– Ensure health and safety for all
– Improve employee wellbeing

Care

Culture

Ambition: Enhance the vibrancy and authenticity of our communities through urban regeneration, architectural heritage conservation, promotion of local creative talents and international cultural exchange

To achieve this, our priorities are to:

– Rejuvenate urban, cultural heritage sites
– Engage, connect, and promote local creativity with future business opportunities
– Promote international cultural diversity and exchange

Clean

Ambition: Transition towards carbon neutrality, leading with climate change mitigation and adaptation practices and by increasing our capabilities to manage and reduce emissions across our entire portfolio

We are managing the following priorities to:

– Build green and healthy communities
– Transition towards carbon neutrality
– Reduce waste in our portfolio

Corporate Governance

Ambition: Become a trusted partner for all stakeholders by nurturing a corporate culture of integrity, transparency, and accountability

To achieve this, our priorities are to:

– Embed sustainability
– Steer the business with integrity
– Strengthen emergency preparedness

Additional information about the Strategy's roll-out and implementation, including our SD governance structure, can be viewed on pages 4-8 in our 2020 SD Report as well as on the SD page of the Company website.

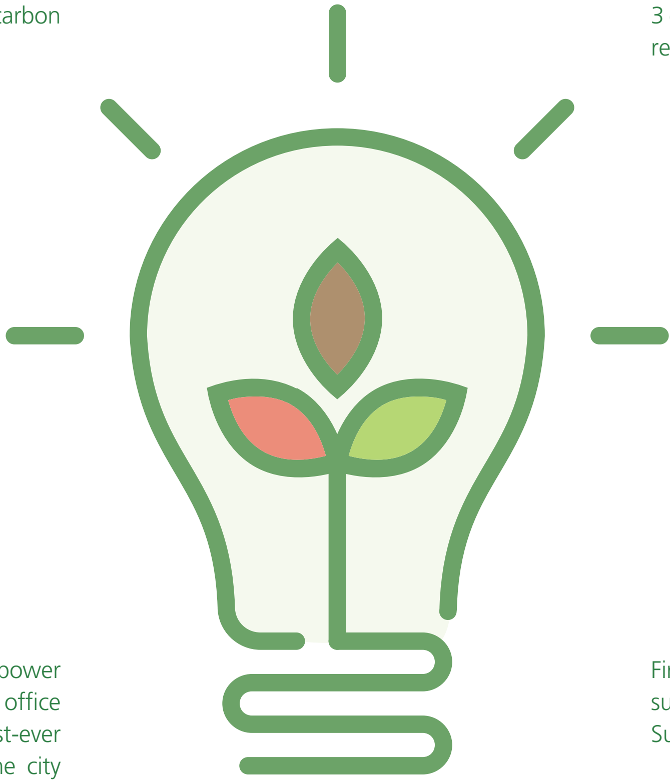
Our Performance

2021 – At a Glance

Forged a strategic ESG collaboration with Green Monday to promote sustainable living and reduce carbon emissions

Became the first company in Mainland China's real estate sector to commit to the SBTi

Added to the Bloomberg Gender-Equality Index – 1 of only 3 companies in China and 1 of 24 real estate companies globally.



Rolled out the Green Menu initiative for F&B tenants across our portfolio

Using 100% renewable hydropower electricity for the HORIZON shopping malls in Wuhan Tiandi

Sourced renewable hydropower electricity for our Wuhan A1 office tower – making it the first-ever super high rise building in the city capable of achieving net-zero carbon emission once fully operational

First China-based developer to successfully issue an inaugural Sustainability Linked Bond

SD Rating Achievements

71.71 (AA-)	HKQAA Sustainability Rating
A (5.4)	MSCI ESG Rating
82 (5 stars)	GRESB (SCOV only)
B-	CDP (Climate Change)
74.16%	Bloomberg GEI (Gender Equality)

Recognition and Awards

In 2021, we earned numerous sustainable development-related certifications and awards. Most significantly, we were delighted to be recognised for our efforts relating to:

Sustainable development

InnoESG.org: ESG Care Prize

Shanghai Daily: Excellence Award for Sustainability

Bloomberg Businessweek/Chinese Edition:

- ESG Leading Enterprise Award
- Good Business Award – Sustainable City Pioneer Award

Hong Kong Management Association:

- Certificate of Excellence in ESG Reporting
- Citation for Design

Sustainable finance

The Asset magazine: Best Sustainability-linked Bond for Hong Kong

Providing a healthy workplace for our employees and our leadership in green and healthy buildings

Urban Land Institute (ULI): Asia Pacific Awards for Excellence – Wuhan Tiandi Site A and the Hub

RICS Awards China 2021: Winner of Urban Regeneration of the Year – Xintiandi Style I

CRIC: 2021 Top 10 Excellent Practitioners of Urban Renewal

Clean

2021 Highlights

20% decrease in Scope 1 and 2 carbon emissions intensity from 2020 – a 53.5% decrease from the baseline year 2011

58% decrease in overall Scope 1 carbon emissions from 2020

1,239 tonnes of waste diverted from landfill and sent to recycling

14% decrease in water intensity from 2020

10% increase in energy intensity from 2020

We have a long and unique history of pursuing environmental sustainability. Our master-planned mixed-use, pedestrian-friendly, heritage infused Shanghai Xintiandi development conceived back in 1996, was and still is a pioneer in sustainable community development. Since then, we have held onto a commitment to developing green and healthy buildings with pioneering levels of energy efficiency and indoor air quality while reducing our waste and water, while also mitigating climate-related impacts and investing in climate-resilience planning as best we can.

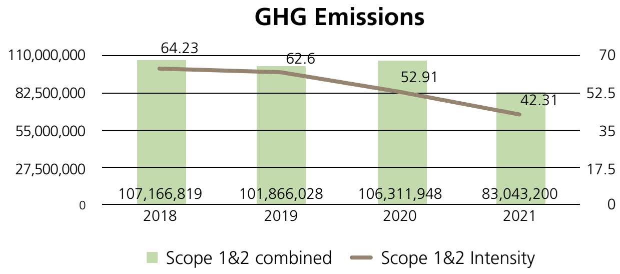
As set out in the 5C Strategy, our 2030 ambitions and priorities guide our approach to clean environmental management, details of which are available on the Clean page of our company website.

Transition towards carbon neutrality

Reducing our carbon emissions is among our top priorities and we have adopted effective building technologies and introduced energy-efficiency measures to reduce our carbon emissions. For years our property management team has utilised energy consumption monitoring systems that embed energy conservation and emission reduction efforts into daily operations. We recognise our capacity to enhance the energy efficiency of our assets and are proactively developing efficiency strategies that can generate value for our business while reducing our carbon emissions intensity over time.

In 2021, we were delighted that Xintiandi in Huangpu District was selected by the Shanghai Government as a NEAR Net Zero Carbon Emission Demonstration Zone. As part of this designation, we are responsible for devising low carbon development implementation plan for the site in efforts to promote the concept of low carbon construction and development.

We have been tracking our carbon emissions intensity since 2011 and have achieved an 53.5% reduction since then. In 2021, our Mainland operations' GHG emission intensity decreased by 20% from 2020 levels.



Climate change mitigation and adaptation

Beyond managing our own emissions, we actively support local government agencies and industry associations that promote climate mitigation. Learn more in the spotlight on Supporting Shanghai's Carbon Neutrality Goals below.

We recognise the need to increase our usage of renewable energy. In 2021, we successfully sourced 100% renewable hydropower electricity for our Horizon shopping malls in Wuhan Tiandi. Horizon accounts for approximately 10% of our electricity usage, and its conversion to 100% renewable energy will translate into savings of approximately 10,000 tonnes of GHG emissions each year.

This is just one example of our effort to transition toward carbon neutrality. We made great strides in 2021 by becoming the first real estate developer in China to commit to the Science-Based Targets initiative. We are setting targets in line with the goals of the Paris Agreement to limit global warming, making our best effort to limit warming to 1.5°C. We have also drafted a Climate Change Policy which will be implemented companywide in 2022.

Supporting Shanghai's Carbon Neutrality Goals

The construction industry plays a crucial role in enabling China dual carbon goals of peak carbon by 2030 and carbon neutrality by 2060. To represent Shanghai's desire to help meet these goals, in 2021, the Huajian Group, the Shanghai Green Building Association and Shanghai Jiao Tong University took the lead in initiating the establishment of the Research Centre for Carbon Neutral Innovation which aims to build a high-end think tank and cross-sector cooperation platform for low-carbon development in Shanghai. Leveraging partnerships and insight from members like SOL, the Centre also seeks to provide intellectual and technical support for Shanghai to build a low-carbon centre of global influence.

The work of the Centre focuses on:

- **Participating in the formulation of China's dual carbon goals – Which involves forming a new dual carbon standard by adapting the whole life cycle of buildings from design to operation and maintenance, post-evaluation to demolition and reuse, and integrating the relevant requirements for energy conservation and emission reduction.**

- **Enhancing science and technology for smarter innovation – This involves fully leveraging the important contribution of energy conservation in buildings for carbon emission reduction, improving the thermal insulation efficiency of buildings, promoting ultra-low energy consumption buildings, and strengthening construction operation management. It also entails promoting the use of renewable energy and promoting the electrification and low-carbon development of building energy.**

- **Creating the best dual carbon habitat – This involves addressing the transformation required of living and production patterns to reduce carbon emissions, as well as promoting green construction, reducing energy consumption in construction, and improving the life expectancy of developments. It also entails advocating for low-carbon lifestyles and other ways of creating a green and low-carbon living environment.**

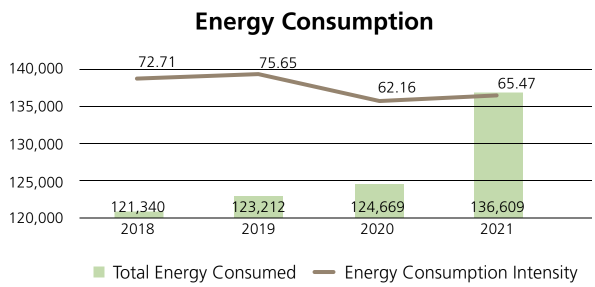
1 The Science Based Targets initiative (SBTi) is a joint initiative by CDP, the UN Global Compact, the World Resources Institute and WWF intended to increase corporate ambition on climate action by mobilising companies to set GHG emission reduction targets consistent with the level of decarbonisation required by science to limit warming to less than 1.5ºC/2ºC compared to preindustrial temperatures.

Build green and healthy communities

Our green design techniques utilise innovative sustainable technology and cost-effective health and comfort aspects which are inviting to our customers and tenants. Wherever possible, we use eco-friendly materials, monitor indoor air quality, minimise construction noise, and keep construction induced erosion and sedimentation to a minimum. By combining these elements with our focus on cultural heritage and community, we build engaging spaces that uplift modern life.

We minimise our energy use by leveraging energy-efficient systems across our portfolio. From indoor sunshades that lower power requirements and reduce the need for air conditioning to recovering exhaust air to preheat air in winter and to cool fresh air in summer – our focus is on building and maintaining buildings that are safe, healthy, and fun for people to live, work, play and enjoy.

In 2021 we consumed 136,609 MWh of energy, a 9% increase from 2020. Our overall energy intensity increased to 65.47 MWh/1000m^2, a 5% change from 2020. The increase is mainly due to a rebound in post-pandemic activity and usage.



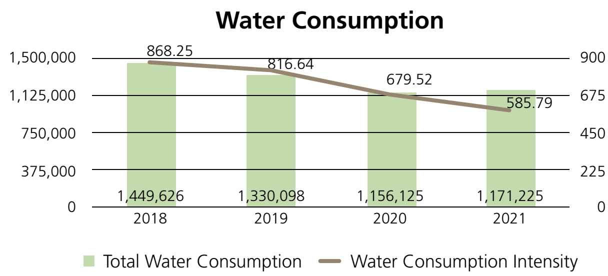
Indoor air quality

In 2015, we started monitoring air quality in our buildings to identify problem areas and implement solutions to improve air quality. We have installed three QLEAR sensors in the offices of Shui On Plaza and CA5 and we intend to install sensors in all our offices by the end of 2022. We also monitor for TVOC and other pollutants, and we are committed to maintaining and improving air quality both in and near all our operations. We also conduct indoor air quality tests before handing over each new residential unit to customers.

Water conservation

Water efficiency is one of the most important elements of sustainable development. As a developer in China, with several water-stressed cities, we have an extra responsibility to design for water efficiency and operate our buildings as efficiently and sustainably as possible. We have installed low flow fittings in our managed buildings, and we design new projects to achieve water efficiency rates even beyond building regulations. We incorporate design specifications when purchasing water systems, install online water meters and piping equipment as well as energy and water consumption monitoring systems throughout our developments.

In 2021, we consumed 1,171,225m^3 of water and our overall water intensity decreased by 14% to 585.79 m^3/1000 m^2.



Reduce waste in our portfolio

We seek to reduce, reuse, and recycle our waste whenever feasible, aiming to minimise our contribution to landfills. Our waste is always handled according to applicable national and provincial laws and regulations, and we aim to exceed legal requirements as best we can. This includes meeting or exceeding the regulations of Shanghai Municipality on Municipal solid waste management, the Wuhan Municipality municipal solid waste sorting management method, the regulations of Chongqing Municipality on municipal solid waste management, and the Foshan Municipality municipal solid waste sorting management method. We separate waste at the source and send paper, plastic, tin, and other recyclable products to recycling. As per Shanghai governmental regulations, we provide divided rubbish bins in all our Shanghai office spaces. Across our portfolio, we raise awareness of waste management best practices and provide signage and waste and recycling bins to educate the public about the importance of waste collection and recycling.

In 2021, we generated 73,137 tonnes of wet, dry, and construction waste. We saw an increase of 4% for construction waste compared to 2020 (which was an abnormally low year) and diverted 1,239 tonnes of recyclable materials from landfills. We also kick-started a pilot waste management data collection and tracking system at Shui On Xintiandi where we are improving the collection of data for the:

- total amount of waste created;
- amount of each type of waste, per square metre; and
- year-on-year comparison of these data for the past year, plus such data by region, and by month, with a filtering function for different comparisons.

We will also increase the entering of F&B area data and computation to monthly intervals and will use the information to calculate averages by project and per region. It is through these efforts that we aim to gain a better understanding of how much waste our projects create and devise long-term plans to mitigate the impacts.

In coming years, in addition to responding to climate change and energy efficiency, we will work more closely with our tenants and local community groups to address efficient water use and waste disposal. In doing so, we expect to improve performance and meet or exceed international building standards throughout the lifecycle of all our buildings.

Creating a sustainable future for smart buildings

In 2021, Shui On Xintiandi initiated a partnership with Honeywell to set up an integrated energy management platform for Shui On Xintiandi's development projects over the next five years. In phase one of the programme, Shui On Xintiandi targets to implement energy efficiency upgrades at the public areas of up to 19 development projects and will continue to roll out energy renovation measures and capacity upgrades at more sites in the future.

Leveraging key metrics and data, Honeywell's integrated energy management platform can identify vulnerabilities in energy management, which will help us achieve our 5-10% energy efficiency target. As a pilot initiative, at two sites Honeywell will take a two-pronged approach to address carbon emission by capitalising on operational measures and technological solutions aiming to reduce energy consumption. Honeywell expects to achieve an energy efficiency target of more than 15% across the buildings.

Through this partnership, we expect to reduce carbon emissions per unit area in our portfolio by 25% by 2024 compared to 2019 levels.

Community

2021 Highlights

Over RMB 13 million donated to local charities

545 new Mainland China suppliers

Over 3,000 volunteer hours contributed, an increase of 41% from 2020

94.7% overall residential customer satisfaction rate

At Shui On Land, it is our ambition to create and shape communities that thrive today and for years to come.

We want all our built communities to engage and inspire healthy sustainable living. To achieve this, in every development that we design, build, and manage, we aim to incorporate sustainable design elements that enhance liveability and stimulate highly connected and accessible communities.

We are also motivated to become an industry leader in master planning and in driving innovation and entrepreneurship ecosystems throughout China. We achieve this by addressing the needs of our communities and embedding health and sustainability considerations into every aspect of our service offering. At the same time, we strive for industry best practices in tenant and customer safety and well-being and to fully engage everyone in our value chain on our SD journey. We make this a reality by continually seeking out ways to enhance partnerships and engagement across our value chain so that our entire industry can be elevated together.

As set out in the 5C Strategy, our 2030 ambitions and priorities guide our approach to community building, details of which are available on the Community page of our company website.

Embed health and sustainability into the community experience

Our live-work-play-learn community development concepts have been specially designed to help bring whole communities together – to build bonds and create happy, healthy shared experiences. Our high-quality building services, diligent after-sales service, and emphasis on health and safety have built a sense of trust and community across our portfolio. Outside our doors we aim to embed health and sustainability into the community experience by developing healthy buildings, ensuring tenant and customer wellbeing and safety, and giving back via volunteering and charitable contributions to our community.

Master planning

At Shui On Land, we are committed to leading the industry in master planning and our approach to this is to keep human-centric design at the core of every decision we make. The Group's focus on the development of large-scale, mixed-use city-core integrated property projects is guided by our ambition to create great communities that are designed to address urban challenges and offer inclusive spaces that bring people together.

In 2021, guided by targets from the 5C Strategy, we focused our master planning efforts on attaining LEED, WELL, and China Green Building certifications for all large master-planned projects. At year-end 90.39% of ongoing projects totalling 2,316,222 square metres successfully met this target, including new large master-planned projects such as the Wuhan Shipyard.

Green Building Pre-Certifications

DEVELOPMENT	PRE- CERTIFICATION AWARDED	DATE AWARDED	SQUARE METERAGE
Hongshou Corporate Avenue – East Tower	LEED-Core and Shell Gold	February	34,121
Hongshou Corporate Avenue – West Tower	LEED-Core and Shell Gold	February	13,696
Shanghai Panlong Tiandi	LEED-Neighborhood Development Gold	July	257,000
Wuhan A1, Office	WELL-Core and Shell Gold	November	192,978
Tai Ping Qiao 123, Office	WELL-Core and Shell Gold	May	38,000
Tai Ping Qiao 124, Office	WELL-Core and Shell Gold	May	120,555
Tai Ping Qiao 132, Office	WELL-Core and Shell Gold	May	30,099

Green Building Certifications

DEVELOPMENT	CERTIFICATION AWARDED	DATE AWARDED	SQUARE METERAGE
KIC	WELL Health-Safety Rating	January	526,530
Hongqiao HUB	WELL Health-Safety Rating	July	390,000
Tai Ping Qiao 118	China Green Building Label Two-star	April	110,200
Panlong Tiandi, lot 06-02	China Green Building Label One-star	April	149,500
Panlong Tiandi, lot 11A-04	China Green Building Label One-star	May	35,800
Panlong Tiandi, lot 11B-04, 11B-05	China Green Building Label One-star	May	65,300
Tai Ping Qiao 132, Office	China Green Building Label Two-star	May	42,600
Ruihong Xincheng Lot 7	China Green Building Label Two-star	May	230,898
Ruihong Xincheng Lot 167A	China Green Building Label Two-star	May	120,100
Wuhan Tiandi B10	China Green Building Label One-star	December	174,449
Ruihong Xincheng Lot 10 Retail	LEED-Core and Shell Gold	June	161,557
Ruihong Xincheng Lot 10 Tower A	LEED-Core and Shell Gold	September	68,683
Ruihong Xincheng Lot 10 Tower B	LEED-Core and Shell Gold	September	62,035

Tenant and customer wellbeing and safety

Understanding and responding to our customers' needs and consistently improving the customer experience is the foundation of our customer-service oriented culture. At the top of our property list is ensuring the wellbeing and safety of anyone who comes into one of our developments or enjoys our services. We do our best to anticipate and respond to the needs of our clients and provide products and services that are healthy, more comfortable, and environmentally friendly as best we can.

Volunteering

Shui On Land supports local community groups through charitable donations and employee volunteering with a focus on supporting underprivileged local community groups and migrant children across China.

Due to ongoing pandemic restrictions on group activities throughout 2021, our employee volunteering initiatives remained limited in comparison to past years. In 2021, our employees dedicated a combined total of 3,099 volunteer hours across numerous events on a range of topics including:

- Advocating for more recycling of pre-loved clothing and raising awareness about the textile recycling process
- Developing healthy living habits and lifestyles
- Electricity saving and energy conservation
- Encouraging participation in household gardening and creating green living and office environments
- Environmental protection and sustainability

Enhance partnerships and engagement

Every year we partner with over 4,000 suppliers including construction contractors, professional consultants, and other service providers. Our suppliers primarily comprise providers of security, cleaning, planting, and special equipment maintenance services as well as construction and maintenance suppliers who provide renovation and asset enhancement initiative services on our properties. These suppliers are a vital component of our supply chain and enable our ability to develop quality developments and provide services for our customers.

In 2021 we promoted low carbon living and environmental responsibility by rolling out a Green Pledge across its portfolio which included encouraging retail tenants to reduce food packaging and food waste and supporting them to include plant-based and healthy food options. Over 350 F&B tenants adopted green menus during Restaurant Week and over 960 green dishes were introduced to customers. Also in 2021, we:

- Created a Sustainability Supplier and Procurement Policy which includes Type I environmental labelling as an annexe in bidding and contract documents. 100% of contractors and indoor material suppliers have been made aware of this new policy and its changes to our approach to procurement.
- Engaged our tenants and customers about low carbon living by rolling out a plant-based food initiative across our portfolio. Learn more in the spotlight on Promoting a Sustainable Lifestyle with Green Monday in our 2021 Sustainable Development Report.

Strengthen an innovative and entrepreneurial ecosystem

We recognise the role that innovation plays in addressing critical social and environmental issues. We seek to strengthen the innovation and entrepreneurial ecosystem among the communities in which we operate by nurturing local innovators and entrepreneurs via a range of support platforms. We aim to effectively become a comprehensive one-stop solution for start-ups and entrepreneurs with work-live-learn-play concerns.

Culture

At Shui On Land, we believe that sustaining, expressing, and nurturing our local culture, while also sharing the beauty of Chinese culture with the world, creates a sense of common community identity and brings us closer to one another. This has inspired us to embed the concept and value of culture into our business model, as we see culture and sustainable development as being connected and self-reinforcing.

Cultural conservation also provides important social and economic benefits to a community by enhancing the quality of life and increasing the overall wellbeing of both individuals and communities. This has driven our approach to find win-win solutions for historic preservation and commercial development. We also seek out small scale replicable urban regeneration and place creation projects and support public, private partnerships that link culture and SD together, as well as other partnerships that promote cultural heritage and development. A key component of our efforts includes celebrating Chinese-made services, which is reflected in our support of local artists, entrepreneurs, and innovators who bring forward Chinese products and partnerships to the community.

As set out in the 5C Strategy, our 2030 ambitions and priorities guide our approach to culture, details of which are available on the Culture page of our company website.

Tell stories of our heritage

SOL actively seeks out cultural landmark buildings and communities when planning projects so that we may preserve and rejuvenate our unique architectural heritage. In each endeavour, we do our best to conserve the integrity of our heritage and the legacy of our ancestors. Beyond structural conservation, it is our perspective that every facade, floor, roof, and space that make up our buildings, as well as all the spaces in between, can act as canvases for creative and respectful recognition of those who came before us.

We also believe that infusing ethnographic elements and communal culture features into green and public spaces as well as historical aspects of buildings helps preserve our rich heritage. Our creative and design teams work together to curate culture-focused content (such as festivals, exhibitions, artwork, etc.) for our many existing communities to rejuvenate the public's understanding and appreciation for our historical heritage.

To enhance public awareness of our culture-focused efforts, we offer facilities (such as exhibition venues, theatres, libraries/bookstores, learning centres, cinemas, sports centres) within our neighbourhoods and communities to benefit local artists and community groups and so that their work can reach a broader audience.

Facilitate international cultural exchange

At Shui On Land, we value the diversity of thought, ideas, and practices and we are committed to nurturing international cultural exchange activities and events so that we can see and hear diverse perspectives on a range of topics from around the world.

We achieve this by fostering partnerships with local and international cultural organisations as well as by hosting international cultural and urban regeneration events with other local and international cultural groups, such as the larger-than-life Lumieres Shanghai and Shanghai Fashion week.

Creatively expressing Created in China

China is world-famous for the diversity of the products it makes and the local culture is becoming increasingly proud of the label 'Created in China'. At Shui On Land, we celebrate the creative expression of Chinese culture and we focus our contributions toward the arts, music, dance, food, fashion, festivals, and education-based activities. This is demonstrated through the many opportunities we create by inviting local artists, designers, and artisans to showcase their works within our developments as well as through online opportunities. We also promote local creators by hiring them for projects and/or organising events to showcase their works.

As part of our 5C Strategy, we have been engaging, connecting, and promoting creative classes and future business opportunities through our signature CREATORS 100 programme, which promotes and provides economic opportunities for local creators. We were delighted to launch the CREATORS 100 programme in 2021 to showcase Chinese creative talents. With the core values of inheriting culture, pioneering sustainability, and co-creating our future city, the programme aims to evolve into a diverse, creative hub that supports creators for years to come. In total 100 creators came together on various projects throughout the year.

Care

2021 Highlights

Gender split – 53 male/47 female

43.41 average hours of employee development training

99.8% female and 99.7% of male employees attended training sessions

100% increase in governance body gender diversity

Shui On Land's vision to be a pioneer of sustainable premium urban communities starts with a great team. Providing a diverse and inclusive workplace is one of the priorities in our 5C Strategy as we recognise that the future of our business depends on the engagement and dedication of our colleagues to create stakeholder value. Therefore, we are committed to creating a caring workplace that focuses on the holistic development of every individual, ensuring that everyone is being treated fairly and is provided with equal opportunities for career development. This also reflects our focus on sustainability and our goal to help shape a positive future for the real estate sector.

We make this possible by offering a great place to work, treating every employee fairly, and providing equal opportunities for holistic career development. To become an employer of choice, we have prioritised offering our staff a safe and healthy working environment and fostering a collaborative working culture, where everyone can be motivated to develop their skillsets and deliver the best results. We do this because we believe it is imperative to consistently attract, develop, and retain employees effectively – not only to drive performance and innovation – but more importantly, to nurture a caring, talented, healthy, and engaged team.

As set out in the 5C Strategy, our 2030 ambitions and priorities guide our approach to care, details of which are available on the Care page of our company website.

Provide equal opportunities in training and development

Over the years, we have seen that engaged employees are happier both at work and in their personal lives. High employee engagement has led to reduced employee turnover, improved productivity, and better business outcomes. We also actively hire and support people from diverse backgrounds so that we can assimilate more perspectives, approach problems differently, and develop the most innovative communities for our customers.

Training and development

Our Talent Development Committee works with our HR team to curate talent development goals at the organisational level which encourages employees to grow with us. We facilitate this – and increase the motivation, engagement, and continuous development of our employees – via our training and development initiatives. This helps us employ and retain the best possible professionals with the right competencies for each position.

To consistently nurture an engaging workplace, we encourage employees to continually upgrade their professional skillsets through a range of training, practical workshops, and mentorship programmes. In 2021 our team focused on developing the SOL Talent Development Programme and enhancing our employer branding for talent attraction and retention. Overseen by HR and implemented by all people managers, on annual basis, all employees will receive a performance and development review that includes goal setting and performance appraisal. 100% of our staff took part in an annual performance review with their direct line manager, which was in turn reviewed by the HR team for evaluation and career progression planning.

Create a diverse and inclusive workplace

Shui On Land is committed to creating a diverse and inclusive working environment for all employees. We have created a working environment where diversity is considered a strength and we will never tolerate any discrimination or harassment related to race, religion, gender, or disability.

To assure steady progress in this area, we promote equal opportunities in all aspects of employment. We believe that this equal-opportunity approach places people in positions that best suit their abilities. As such, we recruit, retain, and develop the best people for the job based solely on their abilities to bring solutions-oriented voices to our team.

We also recognise the importance of gender diversity, and our gender diversity approach begins with our Board. Under the leadership of our Board, we will continue to take steps to promote and enhance gender diversity at all levels of our Company. In 2021, 77.78% of our board were male and over 50. In January we brought on an additional female board member who is under 50, bringing more gender balance to the board.

Ensure health and safety for all

Shui On Land is focused on providing our employees with a safe and healthy working environment by providing an injury-free workplace. Health, safety, and wellbeing have been embedded in our core values and continuous improvement of our safety performance is embedded in our daily working habits.

We do our utmost to ensure that all our employees and subcontractors return home safely at the end of each day. We achieve this by requiring employees to adhere to our safety plans and procedures, details of which were disclosed on pages 48 and 49 of our 2020 SD Report. In 2021, we worked on enhancing company policies to make sure our workplace is safe and to prevent inappropriate behaviour, harassment or misconduct. We revised the Employee Handbook, which was approved by the EXCOM in December and implementation and employee acknowledgement began in early 2022.

In addition to our well established EHS management system, which handles occupational health and safety risk-related tasks, the Group does its utmost to prevent accidents at construction sites by adhering to construction machinery and equipment and site safety production management systems. All our workers are covered by these externally audited occupational health and safety management systems, details of which were disclosed on pages 48 and 49 of our 2020 SD Report.

Our Target Zero initiative promotes a companywide culture where employees embrace a zero injuries mentality and live by the ethos that 'safety never takes a day off'. The objectives of this initiative focus on eliminating safety accidents, improving staff safety awareness and skills to eliminate unsafe behaviour, and reducing and preventing loss due to accidents by eliminating hazards in the workplace.

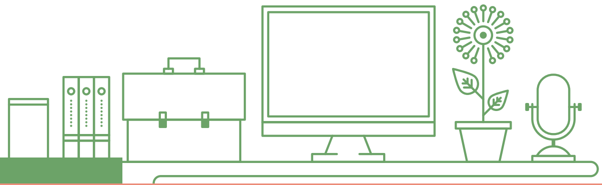
Our consistently low accident frequency rate is a testament to the hard work and dedication of our teams and the high standards we deliver across all our projects. However, we recognise that there is always room for improvement when it comes to health and safety. We will continue to promote safe behaviour and implement our safety procedures so that we may maintain our goal of zero incidents.

Improve employee wellbeing

At Shui On Land, employee wellbeing is all about leading a balanced life and being physically, mentally, and socially healthy. Our 3,186-strong team of caring, dedicated, and creative employees has helped us create the business we run today. Their dedication has come from our effective approach to helping our employees strike a healthy balance between their professional and personal lives, creating a flexible workplace that serves the requirements of both the company and the individual.

We offer a range of workplace benefits to help our team maintain a high level of work-life harmony. Also, we conduct an annual market review on pay, benefits, insurance, etc., to ensure that we provide competitive compensation and benefits to our team. Details of our benefits plan, which includes support for special occasions are outlined on pages 49 and 50 of our 2020 SD Report.

Corporate Governance



We endeavour to become a trusted partner for all stakeholders by nurturing a corporate culture of integrity, transparency, and accountability. To ensure that we continually abide by the highest standards of corporate governance and business ethics, we have integrated them into daily operations to ensure our compliance and beyond.

As set out in the 5C Strategy, our 2030 ambitions and priorities guide our approach to corporate governance, details of which are available on the Corporate Governance page of our company website. Learn more about our overall corporate governance practices on the Shui On Land website and from our 2021 Annual Corporate Governance Report.

Embed sustainability

As a company of over 3,000 staff overseeing the management of over 8.6 million square metres of managed space, we see having a robust approach to corporate governance which takes SD into account as the only way to become a pioneer in sustainable urban communities.

From improving data collection to enhancing our ESG disclosures, we are committed to improving our approach to managing ESG-related topics and the senior management team as well as the 5C Working Teams hold the responsibility of rallying the organisation to understand how to implement the many sustainability-related initiatives reflected in the 5C Strategy. Our approach to managing and overseeing ESG-related issues has been embedded into our business plan and how our teams manage ESG 'tasks' during regular operations. This includes ensuring that our corporate governance practices are sustainable and incorporating ESG-related risks into our enterprise risk management systems.

Making our corporate governance more sustainable

We consider sustainability leadership at our Board and executive levels to be critical to integrating sustainability management and performance into our culture, operations, and business relationships. To properly implement the 5C Strategy, our efforts in 2021 focused on enhancing our overall approach to corporate governance and expanding the scope and capacity of our SD governance.

Incorporating ESG-related risks into enterprise risk management

We believe strong governance supports a culture of ethical behaviour while minimising business risk. Our Board has the overall and collective responsibility for ensuring effective risk management and internal controls, and for reviewing its effectiveness to safeguard our assets and our shareholders' interests. This has become increasingly important as the ever-evolving landscape of ESG-related risks continues to have a significant impact on our business operations. We have incorporated these risks into our corporate enterprise risk management (ERM) framework to better identify the full spectrum of ESG risks as they arise.

In 2021, in consideration of increasing concerns from stakeholders about our performance on climate risk identification, control, and mitigation, we engaged an external consultant to conduct a climate change risk assessment according to international guidelines. The findings of which are addressed in the Appendix: TCFD Report section of our 2021 SD Report.

Strengthen emergency preparedness and align with business continuity

Under the leadership of our Emergency Preparedness team, all our projects adhere to stringent preventive and control measures and standardised services, to provide a safe environment for our staff, residents, tenants, and customers.

To improve upon this approach, we are developing a standardised set of procedures to react to any possible public health or natural disaster situation in the future. In 2021, we reviewed our present risk management system and risk inventory requirement and asked respective risk owners to identify SD issues and climate-related risks. The risk management report and risk inventories were presented and approved by the ARC and the Board in November and we will work on addressing the results throughout 2022.

Steer the business with integrity

By acting with integrity, we have earned the trust of our customers, business partners and other stakeholders. We have achieved this by abiding by applicable laws, regulations as well as our own comprehensive corporate governance framework, internal controls, and systems for risk management – all of which provide the right foundation for a corporate culture of ethical conduct by our employees specific to their roles.

Our Ethics Committee is responsible for handling all matters regarding our conduct and business ethics, and formulating anti-corruption training and management. Our Code of Conduct and Business Ethics, which was reviewed in 2021, sets forth the standards by which we, as an organisation and as individuals, should act. It gives an ethical and legal framework for our day-to-day activities and offers guidance for dealing with challenging situations.

The Code of Conduct, Non-Compliance Reporting Policy and supporting documentation as well as awareness materials have been communicated to all employees. We have also incorporated into our standard contracts details of our anti-corruption policies and procedures with all business partners. In 2021, the Company and its employees were not involved in any legal cases regarding corrupt practices.

PERFORMANCE SUMMARY

Relevant figures from past years are disclosed as they were collected or made available. Unless otherwise indicated, data covers Feng Cheng, Shui On Construction, and Shui On Land.

Environmental performance

Relevant Disclosure	Description	Unit	2018	2019	2020	2021
Emissions						
Emissions from vehicles						
HKEX A1.1	NOx	kg	–	–	289.63[2]	282.42
	SOx		1.81	1.42	0.95	0.93
Emissions of ozone-depleting substances						
GRI 305-6	CH4 (methane)	kg	–	–	116,047	173,986
	Fire extinguishers		–	–	15,773	3,258
	Refrigerant – R134a/kg		–	–	24,190[3]	3,985
	Refrigerant – R410a/kg		–	–	5,658	193
Greenhouse gas emissions						
HKEX 1.2	Scope 1	kgCO², equivalent				
	GHG emissions from stationary combustion		9,243,145	10,482,469	15,983,770	6,658,150
	Scope 2					
	GHG emissions from purchased electricity		97,923,674	91,483,559	90,328,178	76,385,050
	Scope 1 & Scope 2 combined		107,166,819	101,966,028	106,311,948	83,043,200
	Scope 1 & Scope 2 per square metre of floor area	kgCO², equivalent/m²	64.23	62.6	52.91	42.31[4]
Energy						
Energy consumption and intensity						
HKEX A2.1	Diesel	MWh	122	112	536	393
	Gasoline		887	733	1,849	1,803
	Electricity purchased from the grid		93,814	104,196	106,156	115,828
	Natural gas		26,576	18,171	16,349	18,585
	Total energy consumption		121,340	123,212	124,889	136,609
	Intensity of energy consumption	MWh/1000m²	72.71	75.65	62.16	65.47
Energy consumption within the organization						
GRI 302-1	Natural gas	litre	–	–	1,548,873	1,760,772
	Diesel		–	–	12,442	9,118
	Gasoline		–	–	50,505	49,251
	Electricity	KWh	–	–	106,155,740	115,827,802
Energy Intensity						
GRI 302-3	Taipingqiao Project	MWh/1000m²	–	–	98.31[5]	102.8
	Rui Hong Project		–	–	71.82	78.49
	Shanghai KIC		–	–	56.22	61.33
	Hongqiao Project		–	–	53.61	58.78
	Wuhan Project		–	–	41.17	44.41
	Chongqing Project		–	–	50.82	55.15
	Foshan Project		–	–	87.14	95.14
	Nanjing IFC		–	–	–	38.12

2 Estimated figure

3 2020 Refrigerant data has been restated as a result of improved calculation methodology in 2021.

4 The carbon emission factor for electricity used in 2021 decreased from previous years.

5 Project specific data from 2020 has been restated using updated calculations.

Relevant Disclosure	Description	Unit	2018	2019	2020	2021
Water						
Water consumption and intensity						
HKEX A2.2	Total water consumption	m^3	1,449,626	1,330,098	1,156,125	1,171,225
	Water consumption intensity	$m^3/1000m^2$	868.25	816.64	679.52	585.79
	Sewage discharge	m^3	1,303,165	1,197,088	1,040,512	1,054,102
Waste						
Hazardous waste						
HKEX A1.3	Hazardous waste produced	tonnes	–	–	–[6]	3,699
	Discharge density of hazardous waste	$tonne/1,000m^2$	–	–	–	2.04
Non-hazardous waste						
HKEX A1.4	Total discharge of construction waste	tonnes	37,776	39,125	29,711	30,931
	Dry garbage	tonnes	–	–	41,764	22,272
	Wet garbage	tonnes	–	–	21,933	19,934
	Total discharge of household garbage	tonnes	68,853	80,144	63,697	43449
	Total discharge of non-hazardous waste	tonnes	106,629	119,270	93,407	74,376
	Recycled materials	tonnes	–	–	3,764	1,239
	Discharge density of non-hazardous waste	$tonne/1,000m^2$	16.17	17.18	13.42	40.1[7]

Social performance

Relevant Disclosure	Description	Unit	2018	2019	2020	2021
Workforce-General Employment						
HKEX B1.1	Employment by gender	# employees				
	Male		1,647	1,705	1,662	1,683
	Female		1,467	1,532	1,479	1,503
	Total		3,114	3,237	3,141	3,186
	Employment by contract type					
	Permanent contract		–	–	876	1,051
	Temporary contract		–	–	2,265	2,135
	Employment by employment type					
	Full time		–	–	3,141	3,186
	Part-time[8]		–	–	–	–
	Employment by age group					
	Under 30 years		673	629	570	521
	30-50 years		2,069	2,251	2,206	2,301
	50 year and above		372	357	365	364
	Employment by geographical region					
	Hong Kong		–	7	8	9
	Mainland China		–	3,230	3,133	3,177
	Employment by employee category					
	Senior management		–	126	122	41
	Middle management		–	271	289	96
	Staff		–	2,676	2,550	3,049
	Operational staff		–	164	180	–[9]

6 Data for hazardous waste was not collected in previous years.

7 Only for commercial office projects in 2021 whereas 2020 included managed properties as well.

8 In general SOL does not hire on a part-time basis. We do offer part-time internships, of which 11 positions were held in 2021.

9 'Specialists' that were previously tabulated as operational staff are now tabulated as general staff.

Relevant Disclosure	Description	Unit	2018	2019	2020	2021
Workforce-Turnover						
HKEX B1.2	Employee turnover rate by gender	%				
	Male		31%	23%	21%	23%
	Female		25%	20%	17%	20%
	Employee turnover rate by age group					
	Under 30 years		35%	27%	24%	44%[10]
	30-50 years		26%	21%	17%	17%
	50 year and above		25%	17%	26%	15%
	Employee turnover rate by geographical region					
	Hong Kong		–	–	13%	22%
	Mainland China		28%	22%	19%	21%
Workforce-OHS						
Number and rate of workplace fatalities						
HKEX B2.1	Workplace fatalities	# employees	1	0	1	0
	Rate	%	0.03%	0%	0.03%	0%
Lost days due to work injury						
HKEX B2.2	Lost days due to work injury	# days	305	493	483	2,801[11]
Work-related injuries						
GRI 403-9	Fatalities as a result of work-related injury	#	–	–	1	–
		%	–	–	–	–
	High-consequence work-related injuries (excluding fatalities)	#	–	–	0	0
		%	–	–	0	0
	Recordable work-related injuries	#	–	–	13	27
		%	–	–	–	1.65%
Workforce-Training						
HKEX B3.1	Employees trained by gender	%				
	Male		87.90%	91.40%	94.50%	99.70%
	Female		75.90%	81.30%	88.80%	99.80%
	Employees trained by employee category					
	Senior management		74.30%	78.70%	95.90%	73.47%
	Middle management		82.30%	90.10%	96.90%	96.88%
	Staff		84.40%	86.50%	90.50%	100%
	Operational staff		–	–	100%	–
HKEX B3.2	Average training hours completed by gender	hours				
	Male		18	20.6	26.7	47.31
	Female		13.4	12.9	16.4	39.52
	Average training hours completed by employee category					
	Senior management		12	12.1	16.9	7.5
	Middle management		14.4	18.2	23.9	16.3
	Staff		15.3	16.8	21.8	19.6
	Operational staff		–	–	22.2	–

10 Fengcheng saw a higher proportion of new projects in 2021 and turnover was high during the initial establishment of the new projects team. Additionally, a number of SOCM projects were completed in 2021, and several of the project staff involved are relatively young. The turnover each year is mainly determined by the number of projects completed in that year, so some years' experience higher rates than others.

11 Data for 'lost days' in 2021 includes Feng Cheng, Shui On Construction, and Shui On Land whereas data from previous years only included Feng Cheng.

Relevant Disclosure	Description	Unit	2018	2019	2020	2021
Workforce-Diversity						
GRI 405-1	Diversity of governance body					
	By age group					
	< 30 years old	%	–	–	0%	0%
	30-50 years old	%	–	–	11.10%	22.22%
	> 50 years old	%	–	–	88.90%	77.78%
	By gender					
	Male	%	–	–	88.90%	77.78%
	Female	%	–	–	11.10%	22.22%
SASB FN-AC-330a.1	Gender representation for:[12]					
	Executive management	%	–	–	37%	44%
	Non-executive management	%	–	–	40%	52%
	Professionals	%	–	–	50%	47%
	All other employees	%	–	–	19%	–
Workforce-Employee Benefits						
GRI 401-3	Parental Leave-employees that took parental leave					
	Male	# employees	–	–	26	34
	Female	# employees	–	–	75	65
	Total	# employees	–	–	101	99
	Employees that returned to work after parental leave ended that were still employed 12 months after their return to work					
	Male	# employees	–	–	26	25
	Female	# employees	–	–	75	46
	Total	# employees	–	–	101	71
	Retention rates of employees that took parental leave					
	Male	%	–	–	100%	96%
	Female	%	–	–	100%	61%
	Total	%	–	–	100%	79%[13]
Supply Chain-Suppliers						
Suppliers by geographical region						
HKEX B5.1	From Hong Kong	#	–	–	52	52
	From elsewhere	#	–	64	67	67
	From China	#	3,901	4,299	4,627	5,172
	Increase in Chinese Mainland suppliers	#	55	398	297	545
	Increase in Chinese Mainland contractors	#	36	172	248	0
Proportion of spending on local suppliers						
GRI 204-1	Products and services purchased locally		–	–	100%	100%
Community Engagement						
Resources contributed (e.g., money or time) to the focus area.						
HKEX B8.2	Total charitable donations by employees	RMB	94,071	23,800	66,228	–[14]
	Total charitable donations by company	RMB	3,090,000	3,750,000	13,353,671	13,310,000
	Total charitable donations (in cash)	RMB	3,184,071	3,773,800	13,419,899	13,310,000
	Total hours of employee volunteering contributed	hours	460	360	2,192	3,099

12 Only the percentage of gender is provided as racial/ethnic make-up of the company is predominantly Han Chinese.

13 We saw an increase of parents opting not to return to work mainly due to poor market recovery and COVID-19-related personal reasons.

14 Employee donations did not take place in 2021 due to COVID-19.

Relevant Disclosure	Description	Unit	2018	2019	2020	2021
Customer Engagement						
Service-related complaints received and customer satisfaction						
HKEX B6.2	Total service-related complaints received	#	317	352	285	1,082
	Compliant handling rate	%	100%	100%	100%	100%
	Overall customer satisfaction of the properties	# out of 100	91.7	94.1	94.7	94.7
	Residential customer satisfaction		90.8	94.8	95.1	95.3
	Office building customer satisfaction		95.7	94.7	93.8	94.6
	Shopping mall customer satisfaction		91.1	92.8	95.2	94.2

Governance performance

Relevant Disclosure	Description	Unit	2018	2019	2020	2021
Anti-corruption						
Communication and training about anti-corruption policies and procedures						
GRI 205-2	Communicated about organization's anti-corruption policies and procedures	%	–	–	100%	100%
	Trained on Organization's anti-corruption policies and procedures		–	–	100%	100%
Business Ethics						
SASB FN-AC-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	RMB	–	–	0	0
Concluded legal cases regarding corrupt practices						
HKEX B7.1	Concluded legal cases regarding corrupt practices brought against the company	# of cases	0	0	0	0
	Concluded legal cases regarding corrupt practices brought against any company employees		0	0	0	0

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Vincent H. S. LO

Ms. Stephanie B. Y. LO

Board of Directors

Executive Directors

Mr. Vincent H. S. LO, GBM, GBS, JP,

aged 73, has served as our Chairman since the inception of our Company in February 2004. Mr. Lo leads the Board of Directors in deciding on the Company's direction and to set corporate strategies. Mr. Lo was the Chief Executive Officer of our Company from 2004 to 16 March 2011. He is also the Chairman of the Shui On Group, which he founded in 1971, Chairman of SOCAM Development Limited, a director of Shui On Company Limited, the controlling shareholder of the Company, a Non-executive Director of Great Eagle Holdings Limited and a Non-executive Director of Hang Seng Bank Limited.

Mr. Lo was awarded the Grand Bauhinia Medal (GBM) in 2017, the Gold Bauhinia Star (GBS) in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR). He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2004. Mr. Lo was honoured with "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector.

In addition to his business capacity, Mr. Lo has been active in community services. He participated in the preparatory works of the establishment of the Hong Kong Special Administrative Region. He currently serves as Member of the Board of Directors of Boao Forum for Asia, President of Council for the Promotion & Development of Yangtze, Economic Adviser of the Chongqing Municipal Government, Honorary Life President of the Business and Professionals Federation of Hong Kong, Vice Chairman of the Chamber of International Commerce Shanghai and the Honorary Court Chairman of The Hong Kong University of Science and Technology.

Ms. Stephanie B. Y. LO,

aged 39, is an Executive Director of the Company, and the Vice Chairman and Executive Director of Shui On Xintiandi Limited, a wholly-owned subsidiary of the Company. She is responsible for the development of Shui On Xintiandi's commercial strategy and project positioning. Ms. Lo oversees positioning and strategy for the Group's projects and leads the Human Resources department and the Corporate Administration Services department of the Company. Ms. Lo also takes the lead on corporate development, business and product innovation of the Group and also assists the Chairman of the Company in leading the future development of the Company. Ms. Lo joined the Group in August 2012 and has over 18 years of working experience in property development industry in the PRC, architecture and interior design as well as other art enterprises. Prior to joining the Group, Ms. Lo worked for various architecture and design

Ms. Ying WANG

Mr. Douglas H. H. SUNG

firms in New York City, which include Studio Sofield – a firm well-known for its capabilities in retail design. She holds a Bachelor of Arts degree in Architecture from Wellesley College in Massachusetts. She currently serves as a Member of The Thirteenth Shanghai Committee of Chinese People's Political Consultative Conference and The Eighth Council Member of Shanghai Chinese Overseas Friendship Association. She has been selected as a Young Global Leader of the World Economic Forum in 2020. Ms. Lo is the daughter of Mr. Vincent H. S. LO (the Chairman of the Company), a Director of Shui On Company Limited (the controlling shareholder of the Company) and was appointed as a Non-executive Director of SOCAM Development Limited with effect from 1 January 2019.

Ms. Ying WANG,

aged 47, was appointed as the Executive Director and Chief Executive Officer of the Company in January 2022. Ms. Wang was the Managing Director – Project Development & Asset Management of Shui On Management Limited. Ms. Wang is responsible for various functions of project development and sales and marketing of the Group and also oversees the asset management function. Ms. Wang is also responsible for the business development of the Group, which includes land acquisitions and other new property investment activities. Ms. Wang joined the Group in August 1997 and has over 27 years of working experience in the property development industry in the PRC. Prior to joining the Group, Ms. Wang worked in sales and marketing at a real estate company in Shanghai.

Ms. Wang holds a Bachelor of Engineering degree from the Shanghai University of Technology and an Executive Master of Business Administration (EMBA) degree from the Fudan University in Shanghai. She has completed the Senior Executive Leadership Program from the Harvard Business School. Ms. Wang is a member of the Standing Committee of People’s Congress of Hong Kou District, Shanghai, Chairman of Real Estate Working Committee of Shanghai Association of Foreign Investment, Vice President and Director of Shanghai Real Estate Chamber of Commerce & Chairman of Commerce Real Estate Committee, Vice President of Shanghai Real Estate Trade Association and Vice Chairman of Shanghai Hongkou Federation of Industry and Commerce.

Mr. Douglas H. H. SUNG,

aged 55, is an Executive Director, Chief Financial Officer and Chief Investment Officer of the Company. He takes the lead on the Group’s investment platforms and finance management. As Chief Investment Officer, Mr. Sung is responsible for developing and executing the Group’s investment strategy, diversifying the funding sources and strengthening its investment capabilities and performance. He also assists the Board in the development of corporate strategies and the establishment of financial performance benchmarks. Mr. Sung has over 20 years of experience in the Asia real estate industry, ranging from research, capital market, direct investment and fund management. Prior to joining the Company, Mr. Sung was the Managing Director and Head of Real Estate of Verdant Capital Group and the Managing Director and Portfolio Manager of JPMorgan Greater China Property Fund.

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Mr. Sung holds a Bachelor of Architecture degree from the University of Southern California and a Master in Design Studies (Real Estate Emphasis) degree from the Harvard University.

Independent Non-executive Directors

Professor Gary C. BIDDLE,

aged 70, has served as an Independent Non-executive Director of our Company since May 2006. Professor Biddle is Professor of Financial Accounting at University of Melbourne and Visiting Professor at Columbia University Business School, University of Hong Kong (HKU), and London Business School. Professor Biddle earned his MBA and PhD degrees at University of Chicago. He previously served as professor at University of Chicago, University of Washington, Hong Kong University of Science and Technology (HKUST), and at HKU, and as visiting professor at China Europe International Business School (China), Fudan University (China), University of Glasgow (UK), IMD (Switzerland), and Skolkovo Business School (Russia). In academic leadership, Professor Biddle served as Dean and Chair Professor at HKU, and as Academic Dean, Department Head, Council member, Court member, Senate member, and Chair Professor at HKUST. He co-created the EMBA-Global Asia program and taught the first class and decade of the Kellogg-HKUST EMBA program, both recently ranked #1 in the world by Financial Times and QS. Professionally, he is a member of the AICPA, Australian Institute of Company Directors, CPA Australia, and HKICPA. Professor Biddle has served as editor and as editorial board member of premier academic journals, as a member of the American Accounting Association Executive Board and as Vice-President and President-Elect Candidate, on the Accounting Hall of Fame Selection Committee, Financial Reporting Review Panel of the Financial Reporting Council of Hong Kong, HKICPA Council, Accreditation and Financial Reporting Standards Committees of HKICPA, Hong Kong Institute of Directors Training Committee, and as President and co-founding Council Member of the Hong Kong Academic Accounting Association. Professor Biddle is a leading expert in financial and management accounting (teaching both), value creation, economic forecasting, corporate governance, and performance metrics, including EVA®. His research appears in leading academic journals and in the financial press including CNBC, CNN, SCMP, The Economist, and The Wall Street Journal. He has over 9,200 Google Scholar citations and ranks among the top 0.10% in career research downloads among all social scientists (SSRN). Professor Biddle has won 30 teaching honours, including three "Professor of Year" awards from the world's top-ranked EMBA programs. He also proudly serves as Non-Executive director of Kingdee International Software Group Company Limited and as Independent Non-Executive Director and Audit Committee Chair of Real Pet Food Company (New Hope Group). He previously served as Remuneration Committee Chair of Chinachem Group.

Dr. Roger L. McCARTHY,

aged 73, has served as an Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is the principal of McCarthy Engineering. He has also been elected an Officer, Treasurer, and member of the Governing Council of the US National Academy of Engineering ("NAE"). He also holds a

Mr. David J. SHAW

Mr. Anthony J. L. NIGHTINGALE

seat on the Governing Board of the US National Research Council (NRC) and is a member of the Board of Directors of The National Academies Corporation (TNAC). Dr. McCarthy was formerly CEO and Chairman of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou) (毅博科技諮詢（杭州）有限公司), a wholly-owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent, Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is a Senior Fellow at the B. John Garrick Institute for the Risk Sciences at UCLA. Dr. McCarthy delivered the 2008 commencement address for the University of Michigan's College of Engineering.

Mr. David J. SHAW,

aged 75, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw acted as the Group Adviser to the Board of HSBC Holdings plc from June 1998 until 30 September 2013 and retired from the HSBC Group in 2015. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

Mr. Anthony J. L. NIGHTINGALE, CMG, SBS, JP,

aged 74, has been appointed as an Independent Non-executive Director of our Company since 1 January 2016. He was the Managing Director of Jardine Matheson Holdings Limited. He is currently a non-executive director of Jardine Matheson Holdings Limited and of other Jardine Group companies, including Jardine Cycle & Carriage Limited, Dairy Farm International Holdings Limited and Hongkong Land Holdings Limited. He is also a non-executive Director of Prudential plc, Vitasoy International Holdings Limited and a commissioner of PT Astra International Tbk.

Mr. Nightingale is a member of The HKSAR Chief Executive's Council of Advisers on Innovation and Strategic Development and chairperson of The Sailors Home and Missions to Seafarers. He is the former chairman of the Hong Kong General Chamber of Commerce and was appointed as an ABAC Representative of Hong Kong, China from 2005 to 2017 and the Hong Kong representative to the APEC Vision Group from 2018 to 2019.

Mr. Shane S. TEDJARATI

Ms. Ya Ting WU

Mr. Shane S. TEDJARATI,

aged 59, was appointed as an Independent Non-executive Director of the Company on 18 January 2021. He is the Chairman and Chief Executive Officer of Tribridge Group and has served as Senior Advisor of Honeywell International Inc. ("Honeywell") (NYSE: HON) since 1 January 2022. He was President of Global High Growth Regions in Honeywell and was an officer of the company from September 2004 to December 2021. Mr. Tedjarati was responsible for driving the business expansion of Honeywell in high growth regions of the world: Asia, Africa, Latin America, the Middle East and Eastern Europe. Prior to joining Honeywell, Mr. Tedjarati spent 20 years in information technology and management consulting fields and was the regional managing director for Deloitte Consulting (Greater China) from July 1999 to August 2004, where he worked with Chinese state-owned enterprises and multinational corporations to help them formulate and execute strategies for sustainable growth in China and abroad. Mr. Tedjarati studied Mathematics and Computer Science at McGill University, Canada; Masters of Business Administration at University of Surrey, United Kingdom; and Executive Program in e-Commerce at the Wharton School of Management of the University of Pennsylvania. Mr. Tedjarati is an accomplished aviator and holds the highest levels of FAA pilot certifications (Airline Transport License) and jet type ratings.

Mr. Tedjarati is a Henry Crown Fellow of The Aspen Institute and also co-founder of its two flagship programs – the Middle East Leadership Initiative and the China Fellowship Program. He is a special advisor to Chongqing and Wuhan Mayors, member of the advisory board of Antai College of Economics and Management at Shanghai Jiao Tong University and industry Co-Chair of China Leaders for Global Operations, a dual master's degree program by Massachusetts Institute of Technology and Shanghai Jiao Tong University, and Advisory Council Member of the University of Berkeley AMENA Centre for Entrepreneurship and Development.

Mr. Tedjarati has lived in Greater China (Hong Kong and Shanghai) for more than 25 years and speaks six languages including Mandarin Chinese.

Ms. Ya Ting WU,

aged 47, was appointed as an Independent Non-executive Director of our Company on 27 January 2021. She is the Chief Executive Officer of Fengmao Trade (Shanghai) Co., Ltd. ("Fengmao"), a joint venture between Richemont/Yoox Net-a-Porter Group and Alibaba Group. Ms. Wu joined Fengmao in July 2019 and Unilever Group in September 1998. Ms. Wu took on different roles across different countries while she was with Unilever Group; she was employed by Unilever China Co. Ltd. as the Vice President of Digital and E-Commerce for Unilever North Asia. She has more than 22 years of working experience in the consumer goods industry and luxury fashion industry with successful track record of business delivery across 6 countries of which more than 10 years within Mainland China.

Ms. Wu served as an Advisory Board Member of Schneider Electric Taiwan Company Limited in 2015 and served to the Board of European Chamber of Commerce Taiwan and British Chambers of Commerce in Taipei in 2016. Ms. Wu holds a degree in Business Administration and Finance from Solvay Business School, Belgium and an MBA in Finance from European AMSEC.

SENIOR MANAGEMENT

Mr. Allan B. ZHANG,

aged 43, was appointed as the Chief Executive Officer of Shui On Xintiandi Limited ("Shui On Xintiandi") effective from 1 January 2022. He was previously the Chief Operating Officer at Shui On Xintiandi and has served as Executive Director of Shui On Management Limited since January 2016. Mr. Zhang joined the Group in 2004.

Mr. Zhang leads the operations and management of the Shui On Xintiandi business as well as the expansion of the Group's commercial assets in China. In his previous roles, Mr. Zhang led the development of commercial products such as development research, product development, and project design development functions. He was also responsible for the Company's overall development project in Shanghai Taipingqiao area and successfully led the development and community building of Wuhan Tiandi as well as KIC in Shanghai.

Mr. Zhang has over 18 years of experience in the PRC property development and commercial asset management industries. He is a deputy to the People's Congress of Shanghai Huangpu District.

Mr. Zhang graduated from Tongji University in the PRC with a Bachelor's degree in materials engineering and a master's degree in materials physics and chemistry. He is currently pursuing the Kellogg-HKUST Executive MBA Program jointly offered by the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology.

Ms. Jenny H. LI,

aged 43, was appointed as the Senior Director of Property Development of the Company with effect from 1 January 2022. She leads the Cost Management Department, Project Management Department, Development Planning & Design Department, Positioning and Product Development Department and Shui On Construction business of the Company, and coordinates and manages various professional functional departments of project development. She joined the Group in 2001 and has over 21 years of working experience in the real estate industry in the PRC. Ms. Li holds a Bachelor degree of Engineering in Civil Engineering from Tongji University in Shanghai and an Executive Master of Business Administration (EMBA) degree from the Fudan University in Shanghai. Ms. Li also holds the Professional Certificate of Senior Engineer. She currently serves as a Member of the Committee of Chinese People's Political Consultative Conference of Huangpu District, Shanghai.

Mr. Albert K. B. CHAN,

Aged 62, joined the Group in 1997, is the Director of Development Planning and Design. He was also appointed as the Chief Sustainability Officer of our Group effective from 1 January 2022. From 1997, he has led the masterplannng and design of multiple award winning "Tiandi" community developments for the Company. From 1998 to 2001, he led the design effort for the Shanghai Xintiandi development. Mr. Chan leads the Sustainable Development Department of the Company and is responsible for the objectives and initiatives in sustainability of the Group (including the Company and Shui On Xintiandi).

Prior to joining the Group, Mr. Chan worked at the New York City Department of Design and Construction and at Cooper, Robertson + Partners. Mr. Chan holds a B.Arch from the University of Minnesota, a M.Arch from the University of California, Berkeley, a M.S in Urban Design from Columbia University, and an MBA from New York University. He is a Global Trustee of the Urban Land Institute (ULI), and chaired the ULI Mainland China Council from 2017 to 2019. He is a member of the Board of Directors of American Institute of Architects (AIA) Shanghai/Beijing Chapter. He co-chairs the jury for the China Real Estate Design Competition since 2020. He has been appointed as a member of International Panel of Experts of Urban Redevelopment Authority (URA), Singapore effective 2022-2025.

Mr. David P. K. WONG,

aged 66, was appointed as the Chief Economist of our Group effective from 1 January 2022. He is responsible for macroeconomic analysis and the research on development strategies of the Group (including the Company and Shui On Xintiandi). He is also the Director of Development Research. Mr. Wong joined the Group in 1996 and has over 30 years of working experience in the Chinese property markets. Before joining the Group, he was Assistant Chief Economist of Hong Kong Trade Development Council. Mr. Wong holds a Bachelor of Science degree from the University of Minnesota and a Master degree in Economics from the University of California, Berkeley. He is a member of Urban Land Institute and China Strategic Thinkers.

Ms. Rachel Y. Q. LEI,

aged 42, was appointed as the Senior Director of Commercial of Shui On Xintiandi with effect from 1 January 2022. She takes the lead of the day-to-day operation, such as asset management, marketing and promotions, operation and property management functions. She is also responsible for the overall asset management function and the commercial business at Foshan Lingnan Tiandi Community. She also oversees the commercial business of Chongqing Tiandi and Nanjing projects. Ms. Lei joined the Group in 2001 and has over 20 years of working experience in the real estate industry in the PRC. Ms. Lei obtained both a Bachelor's degree in Journalism and a Bachelor's degree in Finance from Shanghai Jiao Tong University in July 2001. She is a member of the Association of Chartered Certified Accountants.

Mr. Clarence C. F. LEE,

aged 47, joined our Group in August 2018 and was appointed as the Senior Director of Commercial of Shui On Xintiandi effective from 1 January 2022. He is primarily responsible for the Company's central leasing function and retail leasing for Shanghai Taipingqiao. Mr. Lee obtained a Bachelor's degree in Computer Science from The University of Hong Kong in December 1998.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries, associates and joint ventures are set out in Notes 47, 17 and 18 respectively to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year and the discussions on the Group's future business development are provided in Chairman's Statement, Project Profiles, Business Review, Landbank, Financial Review and Market Outlook respectively from pages 4 to 9, pages 22 to 31, pages 32 to 43, pages 44 to 45, pages 46 to 51 and pages 52 to 54 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in Financial Review on pages 46 to 51. Also, the financial risk management objectives and policies of the Group can be found in Notes 43 and 44 to the consolidated financial statements. Indications of likely future development in the business of the Company can be found in Business Review and Financial Review on pages 32 to 43 and pages 46 to 51. An analysis of the Group's performance during the year using financial key performance indicators is provided in Financial Review on pages 46 to 51. The discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in Chairman's Statement, Corporate Governance Report, Sustainable Development Report and this Directors' Report on pages 4 to 9, pages 55 to 74, pages 78 to 97 and pages 105 to 116 of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 121.

The Board has resolved to recommend the payment of a final dividend of HKD0.084 per share for the year ended 31 December 2021 (2020: Nil), amounting to approximately RMB554 million (2020: Nil) in aggregate. Subject to shareholders' approval of the final dividend at the forthcoming annual general meeting ("AGM") to be held on 26 May 2022, the final dividend is expected to be paid on or about 17 June 2022 to shareholders whose names appear on the register of members of the Company on 2 June 2022.

In order to qualify for the proposed final 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 2 June 2022.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in Note 13 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of the movements in the property and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 211 of this Annual Report.

SHARE CAPITAL

Details of share capital of the Company during the year ended 31 December 2021 are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as of 31 December 2021 were RMB20,106 million (2020: RMB19,024 million).

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of this report were:

Executive Directors:
Mr. Vincent H. S. LO
Ms. Stephanie B. Y. LO
Ms. Ying WANG (appointed on 1 January 2022)
Mr. Douglas H. H. SUNG

Independent Non-executive Directors:
Sir John R. H. BOND (retired on 27 May 2021)
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Anthony J. L. NIGHTINGALE
Mr. Shane S. TEDJARATI (appointed on 18 January 2021)
Ms. Ya Ting WU (appointed on 27 January 2021)

In accordance with Article 102 of the Articles of Association of the Company (the "Articles of Association"), Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Ms. Stephanie B. Y. LO will retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election at the AGM.

In accordance with Article 97(3) of the Articles of Association, Ms. Ying WANG will hold office until the AGM and, being eligible, will offer herself for re-election at the AGM.

PERMITTED INDEMNITY

The Articles of Association provides that, every Director (including any alternate Director appointed pursuant to the relevant articles) shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in or about the conduct of the Company's business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

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

Notes:

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

(2) These shares were held by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,725,493,996 shares, 2,733,949,818 shares and 29,847,937 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI") and New Rainbow Investments Limited ("NRI") respectively whereas SOP was a wholly-owned subsidiary of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("SOCAM") which in turn was held by SOCL as to 63.10% as of 31 December 2021. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and a discretionary beneficiary, Ms. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

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

(4) These percentages were compiled based on the total number of issued shares (i.e. 8,062,216,324 shares) of the Company at 31 December 2021.

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

Name of Directors	Number of ordinary shares: Personal interests	Family interests	Other interests	Total	Approximate percentage of interests to the issued share capital (Note 3)
Mr. Lo	–	312,000 (Note 1)	236,269,000 (Note 2)	236,581,000	63.19%
Ms. Lo	–	–	236,269,000 (Note 2)	236,269,000	63.10%

Notes:

(1) These shares were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in 312,000 shares under Part XV of the SFO.

(2) These shares were beneficially owned by SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under Part XV of the SFO.

(3) These percentages have been compiled based on the total number of issued shares (i.e. 374,396,164 shares) of SOCAM at 31 December 2021.

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

Name of Directors	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Mr. Lo	Shui On Development (Holding) Limited ("SODH")	Founder and discretionary beneficiary of a trust	USD17,800,000 (Note 1)
		Family interests	USD3,400,000 (Note 2)
Mr. Sung	SODH	Personal interest	USD200,000
Ms. Lo	SODH	Discretionary beneficiary of a trust	USD17,800,000 (Note 1)

Notes:

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

(2) These debentures were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in such debentures under Part XV of the SFO.

Save as disclosed above, at 31 December 2021, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

At 31 December 2021, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity / Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests to the issued share capital of the Company (Note 4)
Mrs. Lo	Family and personal interest	4,491,141,272 (Notes 1 & 3)	55.71%
HSBC Trustee	Trustee	4,489,291,751 (Notes 2 & 3)	55.69%
Bosrich	Trustee	4,489,291,751 (Notes 2 & 3)	55.69%
SOCL	Interests of controlled corporation	4,489,291,751 (Notes 2 & 3)	55.69%

Notes:

(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,489,291,751 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO as mentioned in Note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 4,489,291,751 shares under Part XV of the SFO.

(2) These shares were held by SOCL through its controlled corporations, comprising 1,725,493,996 shares, 2,733,949,818 shares and 29,847,937 shares held by SOP, SOI and NRI respectively whereas SOP was a wholly-owned subsidiary of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 63.10% as of 31 December 2021. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and a discretionary beneficiary, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

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

(4) These percentages were compiled based on the total number of issued shares (i.e. 8,062,216,324 shares) of the Company at 31 December 2021.

Save as disclosed above, at 31 December 2021, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

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

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

Particulars of the Old Scheme are set out in Note 38 to the consolidated financial statements.

The following table sets out the movement of the Company's share options during the year under review:

Name or category of eligible participants	Date of grant	Exercise price per share HKD	At 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2021	Period during which the share options are exercisable
Directors								
Mr. Sung	4 July 2016	1.98	437,000	–	–	–	437,000	1 June 2017 – 3 July 2022
Ms. Lo	4 July 2016	1.98	437,000	–	–	–	437,000	1 June 2017 – 3 July 2022
Sub-total			**874,000**	**–**	**–**	**–**	**874,000**	
Employees (in aggregate)	7 July 2015	2.092	3,425,400	–	–	(3,425,400)	–	1 June 2016 – 6 July 2021
	4 July 2016	1.98	4,596,600	–	–	(378,000)	4,218,600	1 June 2017 – 3 July 2022
Sub-total			**8,022,000**	**–**	**–**	**(3,803,400)**	**4,218,600**	
Total			**8,896,000**	**–**	**–**	**(3,803,400)**	**5,092,600**	

Summary of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to provide a strategic driver to enhance shareholder value of the Company through achieving excellent business results and rapid growth; and to build a high performing organization with loyal staff and other key contributors who are committed to achieving the vision and goals of the Company.

(ii) Qualifying participants

The Board may offer to grant an option to any employees as the Remuneration Committee may recommend and the Board may approve; and any non-executive director, consultant, advisor of the Company or its subsidiaries, or service providers and business partners who have or may contribute to the Group as the Chairman may recommend and the Board may approve.

(iii) Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the adoption date or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit exceeded. At 31 December 2021, the number of shares available for issue in respect thereof is 802,663,018 shares.

(iv) Limit for each participant

The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

(v) Option period

In respect of any particular option, such time period as the Remuneration Committee may in its absolute discretion determine and specify in relation to any particular grantee in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein) but which shall not, in any circumstances, exceed the period prescribed by the Listing Rules from time to time (which is, at the date of adoption of the Share Option Scheme, a period of ten (10) years from the commencement date of the relevant option).

(vi) Acceptance and payment on acceptance

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 30 days from the date of the offer (or such longer period as the Board may specify in writing). HKD1.00 is payable by the grantee to the Company on acceptance of the offer of the option. If such remittance is not made upon acceptance, acceptance of an offer shall create a promise by the relevant grantee to pay to the Company HKD1.00 on demand.

(vii) Subscription price

The subscription price in respect of any particular option shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the subscription price reference date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the subscription price reference date; and (iii) the nominal value of a share.

(viii) Remaining life of the Share Option Scheme

The Board shall be entitled at any time within 10 years commencing on 24 May 2017 to make an offer for the grant of an option to any qualifying participants.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

MANAGEMENT CONTRACT

No contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered into or subsisted during the year.

EQUITY-LINKED AGREEMENT

Other than the share option schemes and share award schemes adopted by the Company as mentioned in this Annual Report, no equity-linked agreement was entered into by the Company during the year or subsisted at the end of the year.

PURCHASE, SALE, OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

On 6 February 2017, SODH issued USD500 million in 5.70% senior notes due 2021 (the "2021 Notes"), and on 28 February 2019, SODH issued USD500 million in 6.25% senior notes due 2021 (the "2021 SODH Notes"). On 20 February 2020, SODH commenced the Exchange and Tender Offer to the Eligible Holders of 2021 Notes and 2021 SODH Notes. On 28 February 2020, the Company determined to accept (i) USD64,972,000 for the exchange of the 2021 Notes; (ii) USD172,641,000 for the tender of the 2021 Notes; (iii) USD24,942,000 for the exchange of the 2021 SODH Notes; and (iv) USD129,408,000 for the tender of the 2021 SODH Notes. After the completion of the Exchange and Tender Offer, the notes exchanged and tendered were cancelled. The outstanding principal amount of the 2021 Notes was USD262,387,000, and the outstanding principal amount of the 2021 SODH Notes was USD345,650,000. SODH fully repaid the principal amounts of the outstanding 2021 Notes and 2021 SODH Notes together with the accrued and unpaid interest upon their maturity on 6 February 2021 and 28 November 2021 respectively.

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

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 55 to 74 of this Annual Report.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 42 to the consolidated financial statements also constituted connected transactions or continuing connected transactions of the Company but these transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, during the year, the Group did not enter into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in Note 42 to the consolidated financial statements, no transaction, arrangement and contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a transaction, arrangement and contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The following Directors or their associates are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Directors	Name of businesses which entities are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entities which are considered to compete with the businesses of the Group	Nature of interest of the Director in the entities
Mr. Lo	SOCL	Property investment in the PRC	Director and controlling shareholder
Mr. Lo	SOCAM	Property investment in the PRC	Director and controlling shareholder
Mr. Lo	Great Eagle Holdings Limited	Property investment in the PRC	Director
Ms. Lo	SOCL	Property investment in the PRC	Director
Ms. Lo	SOCAM	Property investment in the PRC	Director

There is a deed of non-competition dated 30 May 2006 (the "Deed") and entered into between Mr. Lo, SOCL and the Company pursuant to which Mr. Lo and SOCL have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group (that is, SOCL and its subsidiaries and for the purpose of this section "Directors' Interests in Competing Business", excluding SOCAM and its subsidiaries) for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. Such information has been disclosed in the Company's prospectus dated 20 September 2006. In respect of the year ended 31 December 2021, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the non-competition undertakings as contemplated under the Deed.

Save as aforesaid, as of the date of this report, none of the Directors of the Company has an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

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

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

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

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

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

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

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

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

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

Any breach of the above obligations will cause a default in respect of the Senior Perpetual Securities, the 2023 SODH Notes, the 2024 SODH Notes, the 2025 SODH Notes and the 2026 SODH Notes, which may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB8,590 million at 31 December 2021.

REMUNERATION POLICY

The remuneration policy of the Group to reward its employees is based on individual performance, qualifications and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PROVIDENT AND RETIREMENT FUND SCHEMES

Details of the Group's provident and retirement fund schemes are shown in Note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float during the year ended 31 December 2021, as required under the Listing Rules.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB13.31 million (2020: RMB13.35 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, less than 30% of the Group's sales were attributable to the five largest customers combined.

For the year ended 31 December 2021, the aggregate payments for the construction services attributable to the Group's five largest construction contractors were less than 30% of our total payments for construction services.

AUDITOR

On 27 May 2020, Messrs. Deloitte Touche Tohmatsu retired as auditor of the Company and Messrs. Ernst & Young was appointed as auditor of the Company. The consolidated financial statements for the years ended 31 December 2020 and 2021 were audited by Messrs. Ernst & Young. A resolution will be submitted to the AGM to re-appoint Messrs. Ernst & Young as auditor of the Company.

On behalf of the Board

Vincent H. S. LO
Chairman
24 March 2022

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TO THE MEMBERS OF SHUI ON LAND LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 121 to 210, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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TO THE MEMBERS OF SHUI ON LAND LIMITED - continued

(incorporated in the Cayman Islands with limited liability)

Key audit matter - continued

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties stated at fair value	
We identified the valuation of completed investment properties stated at fair value and investment properties under construction or development at fair value as a key audit matter due to the significance of the balances to the consolidated financial statements and the involvement of management's judgement in determining the fair value. As disclosed in note 13 to the consolidated financial statements, the investment properties are located in the People's Republic of China (the "PRC"). The fair values of completed investment properties and investment properties under construction or development at fair value amounting to RMB44,499 million and RMB6,303 million, respectively, were significant as at 31 December 2021, which in aggregate represents 45% of the Group's total assets. An increase in fair value of RMB45 million was recognised in the consolidated statement of profit or loss for the year then ended. In estimating the fair values of these investment properties stated at fair value, the Group engaged an independent qualified professional valuer to perform the valuation. The related disclosures are included in notes 4 and 13 to the consolidated financial statements.	Our procedures in relation to the valuation of completed investment properties stated at fair value and investment properties under construction or development at fair value included: • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer; • Obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and the valuer; • Involving our internal valuation specialist to assist us in evaluating the estimations used by the management of the Group and the valuer, in particular, the valuation models, assumptions, parameters and significant inputs used by the management of the Group and the valuer; and • Assessing the key inputs used in the valuation models by comparing the market rent, capitalisation rate and gross development value, on a sample basis, against current market data and entity-specific information.

Other information included in the annual report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

TO THE MEMBERS OF SHUI ON LAND LIMITED - continued

(incorporated in the Cayman Islands with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit and Risk Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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TO THE MEMBERS OF SHUI ON LAND LIMITED - continued

(incorporated in the Cayman Islands with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Ng.

Ernst & Young
Certified Public Accountants
Hong Kong

24 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2021

	Notes	**2021 RMB'million**	2020 RMB'million
Revenue	5	**17,555**	4,597
Cost of sales		**(10,382)**	(2,247)
Gross profit		**7,173**	2,350
Other income	6	**241**	311
Selling and marketing expenses		**(192)**	(166)
General and administrative expenses		**(928)**	(804)
Increase/(decrease) in fair value of investment properties	13	**35**	(1,786)
Other gains and losses	6	**(334)**	(454)
(Provision)/reversal of impairment losses under expected credit loss model		**(49)**	21
Share of results of associates and joint ventures		**620**	328
Finance costs, inclusive of exchange differences	7	**(895)**	(215)
Profit/(loss) before tax	8	**5,671**	(415)
Tax	9	**(3,463)**	182
Profit/(loss) for the year		**2,208**	(233)
Attributable to:			
Shareholders of the Company		**1,636**	(740)
Owners of perpetual capital securities		**234**	269
Owners of convertible perpetual capital securities		**–**	49
Non-controlling shareholders of subsidiaries		**338**	189
		572	507
		2,208	(233)
Earnings/(loss) per share attributable to the Shareholders of the Company	12		
– Basic		**RMB20.3 cents**	RMB(9.2) cents
– Diluted		**RMB20.3 cents**	RMB(9.2) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'million	2020 RMB'million
Profit/(loss) for the year		**2,208**	(233)
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange difference arising on translation of foreign operations		**1**	(3)
Effective portion of changes in fair value of currency forward contracts designated as cash flow hedges	33	**322**	(668)
Effective portion of changes in fair value of interest rate swaps designated as cash flow hedges	33	**7**	(3)
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	33	**(386)**	732
Share of other comprehensive income of an associate and a joint venture		**22**	45
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit obligations	36	**(2)**	1
Gain on revaluation of properties transferred from property and equipment to investment properties, net of tax		**–**	20
Other comprehensive (expense)/income for the year		**(36)**	124
Total comprehensive income/(expense) for the year		**2,172**	(109)
Total comprehensive income/(expense) attributable to:			
Shareholders of the Company		**1,600**	(620)
Owners of perpetual capital securities		**234**	269
Owners of convertible perpetual capital securities		**–**	49
Non-controlling shareholders of subsidiaries		**338**	193
		572	511
		2,172	(109)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2021

	Notes	2021 RMB'million	2020 RMB'million
Non-current assets			
Investment properties	13	**51,311**	51,220
Interests in associates	17	**8,038**	7,828
Interests in joint ventures	18	**15,472**	11,973
Property and equipment	14	**1,193**	1,235
Right-of-use assets	15	**55**	76
Receivables, deposits and prepayments	19	**289**	335
Pledged bank deposits	40	**–**	1,313
Loan to a non-controlling shareholder	25	**22**	–
Deferred tax assets	34	**279**	825
Other non-current assets		**99**	99
		76,758	74,904
Current assets			
Properties under development for sale	16	**6,699**	21,247
Properties held for sale	22	**7,217**	938
Receivables, deposits and prepayments	19	**1,889**	2,440
Amounts due from associates	17	**555**	196
Amounts due from joint ventures	18	**–**	20
Amounts due from related companies	23	**394**	440
Contract assets	20	**434**	305
Bank balances and cash	21	**17,284**	14,483
Prepaid taxes		**209**	502
Assets classified as held for sale	39	**2,457**	–
		37,138	40,571
Current liabilities			
Accounts payable, deposits received and accrued charges	26	**7,965**	6,840
Contract liabilities	27	**11,056**	12,907
Bank borrowings – due within one year	28	**6,424**	6,976
Senior notes	31	**–**	6,273
Receipts under securitisation arrangements	35	**–**	11
Tax liabilities		**4,617**	2,910
Loans from/amounts due to non-controlling shareholders	24	**281**	1,511
Loans from/amounts due to associates	17	**3,000**	799
Amount due to a joint venture	18	**13**	12
Amounts due to related companies	23	**365**	377
Liability arising from a rental guarantee arrangement		**175**	175
Lease liabilities		**13**	28
Derivative financial instruments	33	**240**	722
		34,149	39,541
Net current assets		**2,989**	1,030
Total assets less current liabilities		**79,747**	75,934
Non-current liabilities			
Bank borrowings – due after one year	28	**13,323**	13,307
Senior notes	31	**12,116**	9,790
Receipts under securitisation arrangements	35	**–**	502
Liability arising from a rental guarantee arrangement		**–**	117
Deferred tax liabilities	34	**5,058**	5,409
Lease liabilities		**64**	71
Defined benefit liabilities	36	**8**	5
		30,569	29,201
Capital and reserves			
Share capital	29	**146**	146
Reserves	30	**39,790**	38,431
Equity attributable to shareholders of the Company		**39,936**	38,577
Perpetual capital securities	32	**4,049**	4,062
Non-controlling interests		**5,193**	4,094
		9,242	8,156
Total equity		**49,178**	46,733
Total equity and non-current liabilities		**79,747**	75,934

The consolidated financial statements on pages 121 to 210 were approved and authorised for issue by the Board of Directors on 24 March 2022 and are signed on its behalf by:

VINCENT H. S. LO
DIRECTOR

DOUGLAS H. H. SUNG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Attributable to shareholders of the Company																
	Share capital RMB'million	Share premium RMB'million	Merger reserve RMB'million (note 30(a))	Special reserve RMB'million (note 30(b))	Share option reserve RMB'million	Share award reserve RMB'million	Exchange reserve RMB'million	Hedge reserve RMB'million	Other reserves RMB'million (note 30(c))	Property revaluation reserve* RMB'million	Retained earnings RMB'million	Sub-total RMB'million	Convertible perpetual capital securities RMB'million	Perpetual capital securities RMB'million (note 32)	Non-controlling interests RMB'million	Sub-total RMB'million	Total RMB'million
On 1 January 2020	146	18,078	122	(135)	8	10	(185)	(115)	76	88	21,983	40,076	1,345	4,056	3,830	9,231	49,307
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	–	(740)	(740)	49	269	189	507	(233)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(3)	–	–	–	–	(3)	–	–	–	–	(3)
Fair value adjustments on currency forward contracts designated as cash flow hedges (note 33)	–	–	–	–	–	–	–	(668)	–	–	–	(668)	–	–	–	–	(668)
Reclassification from hedge reserve to profit or loss arising from currency forward contracts (note 33)	–	–	–	–	–	–	–	732	–	–	–	732	–	–	–	–	732
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 33)	–	–	–	–	–	–	–	(3)	–	–	–	(3)	–	–	–	–	(3)
Remeasurement of defined benefit obligations (note 36)	–	–	–	–	–	–	–	–	–	–	1	1	–	–	–	–	1
Gain on revaluation of properties transferred from property and equipment to completed investment properties, net of tax	–	–	–	–	–	–	–	–	–	16	–	16	–	–	4	4	20
Share of other comprehensive income of a joint venture and an associate	–	–	–	–	–	–	55	–	(10)	–	–	45	–	–	–	–	45
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	52	61	(10)	16	(739)	(620)	49	269	193	511	(109)
Lapse of share option	–	–	–	–	(3)	–	–	–	–	–	3	–	–	–	–	–	–
Capital injection by non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	100	100	100
Capital reduction by a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)	(4)
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(25)	(25)	(25)
2019 final dividend of HKD0.084 per share paid	–	–	–	–	–	–	–	–	–	–	(623)	(623)	–	–	–	–	(623)
Redemption of convertible perpetual capital securities	–	–	–	–	–	–	–	–	(256)	–	–	(256)	(1,335)	–	–	(1,335)	(1,591)
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	(59)	–	–	(59)	(59)
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	(263)	–	(263)	(263)
On 31 December 2020	146	18,078**	122**	(135)**	5**	10**	(133)**	(54)**	(190)**	104**	20,624**	38,577	–	4,062	4,094	8,156	46,733
On 1 January 2021	**146**	**18,078**	**122**	**(135)**	**5**	**10**	**(133)**	**(54)**	**(190)**	**104**	**20,624**	**38,577**	**–**	**4,062**	**4,094**	**8,156**	**46,733**
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,636	1,636		234	338	572	2,208
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	1	–	–	–	–	1	–	–	–	–	1
Fair value adjustments on currency forward contracts designated as cash flow hedges (note 33)	–	–	–	–	–	–	–	322	–	–	–	322	–	–	–	–	322
Reclassification from hedge reserve to profit or loss arising from currency forward contracts (note 33)	–	–	–	–	–	–	–	(386)	–	–	–	(386)	–	–	–	–	(386)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 33)	–	–	–	–	–	–	–	7	–	–	–	7	–	–	–	–	7
Remeasurement of defined benefit obligations (note 36)	–	–	–	–	–	–	–	–	–	–	(2)	(2)	–	–	–	–	(2)
Share of other comprehensive income of a joint venture and an associate	–	–	–	–	–	–	15	–	7	–	–	22	–	–	–	–	22
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	16	(57)	7	–	1,634	1,600	–	234	338	572	2,172
Lapse of share option	–	–	–	–	(2)	–	–	–	–	–	2	–	–	–	–	–	–
Transfer out upon disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3)	(3)	(3)
Capital reduction by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(626)	(626)	(626)
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(54)	(54)	(54)
2021 Interim dividend of HKD0.036 per share paid	–	–	–	–	–	–	–	–	–	–	(241)	(241)	–	–	–	–	(241)
Reclassification of loans from a non-controlling shareholder of subsidiaries (note 24)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,444	1,444	1,444
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	(247)	–	(247)	(247)
On 31 December 2021	**146**	**18,078****	**122****	**(135)****	**3****	**10****	**(117)****	**(111)****	**(183)****	**104****	**22,019****	**39,936**	**–**	**4,049**	**5,193**	**9,242**	**49,178**

* The property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

** These reserve accounts comprise the consolidated reserves of RMB39,790 million (2020: RMB38,431 million) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'million	2020 RMB'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	8	**5,671**	(415)
Adjustments for:			
Depreciation of property and equipment		**105**	98
Net foreign exchange difference		**(13)**	(150)
Share of results of associates and joint ventures		**(620)**	(328)
Finance costs, inclusive of exchange differences	7	**895**	215
Cost arising from hedging activities	6	**213**	95
Interest income		**(222)**	(281)
Loss on disposal of property and equipment		**1**	–
(Increase)/decrease in fair value of investment properties		**(35)**	1,786
Provision/(reversal) of impairment on properties held for sale		**50**	(1)
Impairment loss on investment properties under development at cost	6	**–**	225
Impairment loss on properties under development for sale	6	**–**	227
Impairment loss on property and equipment	6	**–**	21
Provision/(reversal) of impairment losses under expected credit loss model		**49**	(21)
Premium for tender and exchange of senior notes	6	**–**	69
Loss from fair value change of liabilities arising from a rental guarantee arrangement	6	**50**	79
Decrease in fair value of derivative financial instruments	6	**16**	154
Depreciation of right-of-use assets		**30**	33
		6,190	1,806
Decrease in receivables, deposits and prepayments		**545**	605
Increase in contract assets		**(129)**	(252)
Decrease/(increase) in properties under development for sale and held for sales		**5,987**	(2,700)
Decrease/(increase) in amounts due from related companies		**46**	(24)
(Decrease)/increase in amounts due to related companies		**(12)**	46
Decrease in amounts due from joint ventures		**20**	25
Increase in amount due to a joint venture		**1**	12
(Increase)/decrease in amounts due from associates		**(24)**	132
(Decrease)/increase in amount due to an associate		**(71)**	70
Decrease in amounts due to non-controlling shareholders of subsidiaries		**–**	(2)
Decrease/(increase) in prepaid taxes		**13**	(57)
(Decrease)/increase in contract liabilities		**(1,851)**	9,780
Increase in accounts payable, deposits received and accrued charges		**1,059**	1,399
Increase in defined benefit liabilities		**1**	–
Cash generated from operations		**11,775**	10,840
Tax paid		**(1,616)**	(1,252)
Net cash generated from operating activities		**10,159**	9,588
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**169**	226
Additions to investment properties		**(124)**	(833)
Repayments from associates		**–**	442
Advances to joint ventures		**(1,935)**	(290)
Investments in associates		**(21)**	(40)
Advance to a non-controlling shareholder		**(22)**	–
Repayments from joint ventures		**262**	140
Investments in joint ventures		**(839)**	(668)
Decrease of pledged bank deposits		**1,313**	328
Increase in pledged bank deposits		**–**	(352)
Acquisition of leasehold land		**–**	(393)
Payments made under a rental guarantee arrangement		**(167)**	(169)
Others		**(51)**	(138)
Net cash used in investing activities		**(1,415)**	(1,747)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injected by non-controlling shareholders of subsidiaries		**–**	100
Payments of lease liabilities	45(b)	**(33)**	(34)
Repayment of receipts under securitisation arrangements		**(513)**	(6)
Drawdown of bank borrowings		**8,649**	5,046
Repayments of bank borrowings		**(8,955)**	(9,852)
Settlement for derivative financial instruments designated as cash flow hedge		**(975)**	34
(Decrease)/increase in senior notes	31	**(3,592)**	5,361
Interest paid		**(1,769)**	(2,003)
Payment of dividends		**(241)**	(623)
Distribution to owners of convertible perpetual capital securities		**–**	(59)
Distribution to owners of perpetual capital securities		**(247)**	(263)
Dividend payment to non-controlling shareholders of subsidiaries		**(36)**	(54)
Redemption of convertible perpetual capital securities		**–**	(1,591)
Capital reduction paid to a non-controlling shareholder		**(398)**	(6)
Proceeds from disposal of partial equity interests of subsidiaries		**–**	46
Repayment to a non-controlling shareholder of subsidiaries		**(32)**	(240)
Loans from an associate		**2,250**	275
Net cash used in financing activities		**(5,892)**	(3,869)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,852**	3,972
Cash and cash equivalents at the beginning of the year		**14,483**	10,570
Effect of foreign exchange rate changes, net		**(51)**	(59)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	**17,284**	14,483

1. Corporate and group information

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006. The directors of the Company consider that its parent and ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands ("BVI") and its ultimate controlling party is Mr. Vincent H.S. Lo, who is also the Chairman and Executive Director of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's major subsidiaries are set out in note 47. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

The Group's financial statements have been prepared on a historical cost basis, except for certain investment properties, derivative financial instruments and liability arising from a rental guarantee arrangement that have been measured at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million, except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (that is existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9 *Financial Instruments,* IAS 39 *Financial Instruments: Recognition and Measurement,* IFRS 7 *Financial Instruments: Disclosures,* IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16 Leases	*COVID-19-Related Rent Concessions*
Amendment to IFRS 16 Leases	*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

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

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group has entered into interest rate swaps in which the Group would receive interest at variable rates at LIBOR and pay interest at fixed rates from 0.22% to 0.235% on the notional amount. The Group expects that HIBOR will continue to exist, and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swap, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 44 to the financial statements.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. No reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

2.3 Issued but not yet effective IFRSs

The Group has not early applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17 *Insurance Contracts*	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to IAS 1 *and* IFRS *Practice statement*	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16 *Property, Plant and Equipment*	*Property and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1] *Agriculture*

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IAS 1, International Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 Issued but not yet effective IFRSs – continued

Amendments to IAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet effective IFRSs – continued

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. Material accounting policies

Fair value measurement

The Group measures its investment properties, derivative financial instruments and liability arising from a rental guarantee arrangement at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Material accounting policies – continued

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Related parties

A party is related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. Material accounting policies – continued

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment" below. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its carrying amount is recognised in the statement of profit or loss.

Non-current assets held for sale

The Group classifies non-current assets (principally investment property) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Investment property held for sale continues to be measured at fair value.

Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the shorter of the term of the lease, or 50 years
Hotel properties	Over the shorter of the term of the lease, or 50 years
Furniture, fixtures, equipment and motor vehicles	20% to $33\frac{1}{3}$%

3. Material accounting policies – continued

Property and equipment – continued

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Properties under development for sale

Properties under development for sale which are intended to be sold upon completion of development are classified as current assets. Properties under development for sale are carried at lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

Properties held for sale

Properties held for sale are classified as current assets. Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

3. Material accounting policies – continued

Investments in associates and joint ventures – continued

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Rent and other trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenues from contracts with customers" below.

3. Material accounting policies – continued

Financial instruments – continued

Financial Assets – continued

Initial recognition and measurement – continued

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("FVTOCI"), it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss ("FVTPL"), irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTOCI (debt instruments)

For debt investments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at FVTOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as investments designated at FVTOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at FVTOCI are not subject to impairment assessment.

3. Material accounting policies – continued

Financial instruments – continued

Financial Assets – continued

Financial assets at FVTPL

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3. Material accounting policies – continued

Financial instruments – continued

Financial Assets – continued

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For rent and other trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For a rental receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the rental receivable in accordance with IFRS 16.

3. Material accounting policies – continued

Financial instruments – continued

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payable, amount due to a joint venture, loans from/amounts due to associates, amounts due to related companies, loans from a non-controlling shareholder, amounts due to non-controlling shareholders, bank borrowings, senior notes, receipts under securitisation arrangements, lease liabilities and liability arising from a rental guarantee arrangement.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. After initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

3. Material accounting policies – continued

Financial instruments – continued

Financial Liabilities – continued

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

3. Material accounting policies – continued

Derivative financial instruments and hedge accounting – continued

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. Material accounting policies – continued

Leases – continued

Group as a lessee – continued

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 50 years
Leased properties	17 months to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties under development for sales or properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development for sales" or "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3. Material accounting policies – continued

Leases – continued

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Material accounting policies – continued

Income tax – continued

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same tax authority.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of certain overseas subsidiaries is HKD. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of "Exchange reserve" (attributed to non-controlling interests as appropriate). On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

3. Material accounting policies – continued

Foreign currencies – continued

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of the closing date.

Equity-settled share-based payment transactions

Share options granted to employees (including directors of the Company)

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, such that the cumulative expenses reflects the revised estimates, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Share awards granted to employees (including directors of the Company)

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's shares held for the share award scheme, if any, is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained earnings.

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the best available estimate of the management. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in "retirement benefits costs".

The retirement benefit obligation recognised in the consolidated statement of financial position includes the actual deficit or surplus in the Group's defined benefit plans.

3. Material accounting policies – continued

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue from lease

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Rendering of services

Revenue from the provision of property management and real estate asset management service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Construction services

Revenue from the provision of construction services is recognised over time, using an input or output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

3. Material accounting policies – continued

Revenue recognition – continued

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Bank balances and cash

For the purpose of the consolidated statement of financial position, bank balances and cash comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. Material accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition from sales of properties at a point in time

Control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to properties create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group. Accordingly, the sales of properties is considered to be performance obligation satisfied at a point in time.

Perpetual capital securities and equity loans from a non-controlling shareholder of subsidiaries

Pursuant to the terms of the Perpetual Capital Securities (as defined in note 32) a subsidiary of the Company, as an issuer of the Perpetual Capital Securities, can at its option redeem the Perpetual Capital Securities, and at its discretion defer distributions on the Perpetual Capital Securities. However, in those cases, the Company and the issuer will not be able to declare or pay any dividends to their ordinary shareholders if any distributions on the Perpetual Capital Securities are unpaid or deferred. In the opinion of the directors of the Company, this restriction does not result in the Group having the obligation to redeem the Perpetual Capital Securities or to pay distributions on the Perpetual Capital Securities. Accordingly, the Perpetual Capital Securities are classified as equity instruments.

Pursuant to the terms of the equity loans from a non-controlling shareholder of subsidiaries, the loans are interest-free, and not demanded for payments by the non-controlling shareholder of subsidiaries unless the Group's subsidiaries are in a position to repay and the repayment is mutually agreed between the Group's subsidiaries and the non-controlling intermediate holding companies, or upon the winding up of the Group's subsidiaries. In the opinion of the directors of the Company, the foregoing terms have not resulted in the Group bearing the obligation to repay the equity loans from the non-controlling shareholder of subsidiaries. Accordingly, the equity loans from the non-controlling shareholder of subsidiaries are classified as equity instruments, as the Group has no contractual obligation to deliver cash or another financial asset to the non-controlling shareholder of subsidiaries or to exchange financial assets or financial liabilities with the non-controlling shareholder of subsidiaries under conditions that are potentially unfavourable to the Group and to deliver a variable number of its own equity instruments as the equity loans from the non-controlling shareholder of subsidiaries are non-derivatives.

4. Material accounting judgements and estimates – continued

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value measurements and valuation processes

The Group's certain assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of the reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed in notes 13, 33, 44 (c).

Land appreciation tax

The Group is subject to land appreciation tax in the People's Republic of China (the "PRC"). However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its land appreciation tax calculation and payments with local tax authorities for the properties already sold in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

Estimated impairment of properties under development for sale and properties held for sale

Properties under development for sale and properties held for sale are stated at lower of the cost and net realisable value. The net realisable value is the estimated selling price of the completed units (based on the current prevailing market conditions) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. The Group has recognised a net impairment loss amounting to RMB50 million during the year ended 31 December 2021 (2020: a net impairment loss amounting to RMB226 million). Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties under development for sale and properties held for sale in the consolidated statement of profit or loss.

5. Revenue and segment information

A. Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2021 RMB'million	2020 RMB'million
Property development:		
Property sales	**13,638**	1,448
	13,638	1,448
Property management:		
Property management fee income	**490**	345
	490	345
Construction	**835**	691
Others	**333**	239
	15,296	2,723
Geographical markets		
Shanghai	**10,519**	1,457
Foshan	**428**	1,119
Wuhan	**4,292**	42
Chongqing	**48**	96
Nanjing	**9**	9
	15,296	2,723
Timing of revenue recognition		
A point in time	**13,638**	1,448
Over time	**1,658**	1,275
	15,296	2,723

The following table shows the amounts of revenue recognised in the current reporting year that were included in the contract liabilities at the beginning of the reporting year:

	2021 RMB'million	2020 RMB'million
Revenue recognised that was included in contract liabilities at the beginning of the reporting year:		
Sale of properties	**11,566**	213
	11,566	213

5. Revenue and segment information – continued

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

For the year ended 31 December 2021

	RMB'million
Property development:	
Property sales	13,638
Property management:	
Property management fee income	490
Construction	835
Others	333
Revenue from contracts with customers	15,296
Property investment	
(property investment segment)	
Rental income from investment properties (Note)	2,005
Rental related income	254
	17,555

Note:

	Year ended 31 December 2021 RMB'million
For operating leases:	
Fixed lease payment	1,897
Variable lease payments that do not depend on an index or a rate	108
	2,005

5. Revenue and segment information – continued

For the year ended 31 December 2020

	RMB'million
Property development:	
Property sales	1,448
Property management:	
Property management fee income	345
Construction	691
Others	239
Revenue from contracts with customers	2,723
Property investment	
(property investment segment)	
Rental income from investment properties (Note)	1,677
Rental related income	197
	4,597

Note:

	Year ended 31 December 2020 RMB'million
For operating leases:	
Fixed lease payment	1,610
Variable lease payments that do not depend on an index or a rate	67
	1,677

Property sales

Revenue from sales of residential properties is recognised at a point in time when the completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 30%-100% of the contract value as deposits from customers or receipts in advance from customers upon signing the sale and purchase agreement for sales of properties. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period.

Construction services

The Group provides building construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input or output method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically achieves specified milestones and thus has the right to bill the customers when the progress certificate, settlement letter or payment notice is obtained.

5. Revenue and segment information – continued

Property management services

Revenue from property management services is recognised over time, and the progress measured using the output method. The property management service fees are billed to the clients periodically.

Rental and rental related income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases.

C. Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'million	Construction contracts RMB'million
Within one year	11,056	85
More than one year but not more than two years	–	15
More than two years	–	13
	11,056	113

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of 31 December 2020 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'million	Construction contracts RMB'million
Within one year	12,752	277
More than one year but not more than two years	155	55
More than two years	–	229
	12,907	561

D. Operating segments

Operating segments are identified from the financial information provided regularly to the Group's chief operating decision maker ("CODM") (i.e. the executive directors and the chairman of the Group) for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

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

Property development	– development and sale of properties
Property investment	– offices and commercial/mall leasing
Property management	– provision of daily management service of properties
Construction	– construction, interior fitting-out, renovation and maintenance of building premises

The property development and property investment projects of the Group are located in Shanghai, Wuhan, Foshan, Chongqing and Nanjing, the PRC, and their revenues are primarily derived from property sales and leasing respectively. The directors of the Company consider that the various operating segments under property development, property investment, property management and construction segments are aggregated for financial reporting purposes because those segments have similar characteristics in terms of production process, class of customers and distribution method and are under similar economic conditions and subject to similar regulatory policies.

5. Revenue and segment information – continued

For the year ended 31 December 2021

	Reportable segment						
	Property development RMB'million	Property investment RMB'million	Property management RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE							
Segment revenue of the Group	13,638	2,259	490	835	17,222	333	17,555
SEGMENT RESULTS							
Segment results of the Group	4,524	1,679	92	146	6,441	42	6,483
Interest income							222
Share of results of associates and joint ventures							620
Finance costs, inclusive of exchange differences							(895)
Other gains and losses							(334)
Provision of impairment losses under expected credit loss model							(49)
Unallocated income							20
Unallocated expenses							(396)
Profit before tax							5,671
Tax							(3,463)
Profit for the year							2,208
OTHER INFORMATION							
Amounts included in the measure of segment profit or loss or segment assets:							
Capital additions of completed investment properties and property and equipment	69	87	–	–	156	–	156
Capital additions of right-of-use assets	9	–	–	–	9	–	9
Development costs for investment properties under construction or development	–	241	–	–	241	–	241
Depreciation of property and equipment	61	32	–	–	93	12	105
Depreciation of right-of-use assets	23	1	–	–	24	6	30
Increase in fair value of investment properties	–	35	–	–	35	–	35
FINANCIAL POSITION							
ASSETS							
Segment assets	14,908	54,709	6	512	70,135	526	70,661
Interests in associates							8,038
Interests in joint ventures							15,472
Amounts due from joint ventures							–
Amounts due from associates							555
Amounts due from related companies							394
Unallocated corporate assets							18,776
Consolidated total assets							113,896
LIABILITIES							
Segment liabilities	16,910	951	130	614	18,605	24	18,629
Unallocated corporate liabilities							46,089
Consolidated total liabilities							64,718

5. Revenue and segment information – continued

For the year ended 31 December 2020

	Reportable segment						
	Property development RMB'million	Property investment RMB'million	Property management RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE							
Segment revenue of the Group	1,448	1,874	345	691	4,358	239	4,597
SEGMENT RESULTS							
Segment results of the Group	97	(849)	175	–	(577)	71	(506)
Interest income							281
Share of results of associates and joint ventures							328
Finance costs, inclusive of exchange differences							(215)
Other gains and losses							(2)
Reversal of impairment losses under expected credit loss model							21
Unallocated income							17
Unallocated expenses							(339)
Loss before tax							(415)
Tax							182
Loss for the year							(233)
OTHER INFORMATION							
Amounts included in the measure of segment profit or loss or segment assets:							
Capital additions of completed investment properties and property and equipment	110	101	–	–	211	–	211
Capital additions of right-of-use assets	–	1	–	–	1	12	13
Development costs for investment properties under construction or development	–	1,003	–	–	1,003	–	1,003
Depreciation of property and equipment	48	29	–	–	77	21	98
Depreciation of right-of-use assets	22	1	–	–	23	10	33
Decrease in fair value of investment properties	–	1,786	–	–	1,786	–	1,786
FINANCIAL POSITION							
ASSETS							
Segment assets	23,572	52,071	8	344	75,995	525	76,520
Interests in associates							7,828
Interests in joint ventures							11,973
Amounts due from joint ventures							20
Amounts due from associates							196
Amounts due from related companies							440
Unallocated corporate assets							18,498
Consolidated total assets							115,475
LIABILITIES							
Segment liabilities	17,904	819	142	619	19,484	10	19,494
Unallocated corporate liabilities							49,248
Consolidated total liabilities							68,742

5. Revenue and segment information – continued

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

For monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in joint ventures, amounts due from associates, amounts due from joint ventures, amounts due from related companies, deferred tax assets, derivative financial instruments, pledged bank deposits, bank balances and cash, prepaid taxes and other unallocated corporate assets; and

- all liabilities are allocated to reportable segments other than receipts under securitisation arrangements, loans from/amounts due to associates, liability arising from a rental guarantee arrangement, lease liabilities, amount due to a joint venture, amounts due to related companies, loans from/amounts due to non-controlling shareholders, tax liabilities, deferred tax liabilities, derivative financial instruments, defined benefit liabilities, bank borrowings, senior notes and other unallocated corporate liabilities.

Over 90% of the Group's revenue and contribution to operating profit is attributable to customers in the PRC for both years. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's non-current assets is shown as the assets are substantially located in the PRC.

During the year ended 31 December 2021 and 2020, there were no revenues from transactions with a single external customer that account for 10% or more of the revenue of the Group.

6. Other income, other gains and losses

	2021 RMB'million	2020 RMB'million
Other income		
Interest income from banks	**179**	194
Interest income from loans to associates (note 42)	**–**	10
Interest income from loans to joint ventures (note 42)	**43**	77
Grants received from local government	**17**	30
Others	**2**	–
	241	311
Other gains and losses		
Cost arising from hedging activities	**(213)**	(95)
Write-off of receivables	**(84)**	–
Loss from fair value change of derivative financial instruments	**(16)**	(154)
Loss from fair value change of liability arising from a rental guarantee arrangement	**(50)**	(79)
Premium for tender and exchange of senior notes	**–**	(69)
Impairment loss on property and equipment	**–**	(21)
Payable for relocation costs written back	**–**	441
Impairment loss on investment properties under development at cost	**–**	(225)
Impairment loss on properties under development for sale	**–**	(227)
Others	**29**	(25)
	(334)	(454)

7. Finance costs, inclusive of exchange differences

	2021 RMB'million	2020 RMB'million
Interest on bank borrowings	951	1,350
Interest on senior notes (note 31)	839	829
Interest on loans from an associate	33	1
Interest expenses from lease liabilities	4	5
Total interest costs	1,827	2,185
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(684)	(1,155)
Interest expense charged to profit or loss	1,143	1,030
Net exchange gain on bank borrowings and other financing activities	(255)	(863)
Others	7	48
	895	215

Borrowing costs capitalised during the year were calculated by applying a capitalisation rate of approximately 5.7% (2020: 5.7%) per annum to expenditure on the qualifying assets.

8. Profit/(loss) before tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2021 RMB'million	2020 RMB'million
Auditor's remuneration		
– audit services	5	5
Depreciation of property and equipment	105	98
Depreciation of right-of-use assets	30	33
Employee benefits expenses		
Directors' emoluments		
Fees	2	2
Salaries, bonuses and other benefits	27	26
	29	28
Other staff costs		
Salaries, bonuses and other benefits	857	798
Retirement benefits costs	35	19
	892	817
Total employee benefits expenses	921	845
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(113)	(99)
	808	746
Provision/(reversal) of impairment losses		
Receivables	49	(21)
Cost of properties sold recognised as an expense	8,835	851
Provision/(reversal) of impairment losses on properties held for sale (included in "cost of sales")	50	(1)
Lease payments relating to short-term leases and low-value leases	3	6

9. Tax

	2021 RMB'million	2020 RMB'million
Hong Kong profits tax		
– Charge for the year	12	–
PRC enterprise income tax ("EIT")		
– Charge for the year	1,275	68
PRC withholding tax		
– Charge for the year	65	10
PRC land appreciation tax ("LAT")		
– Charge for the year	1,916	225
Deferred tax (note 34)		
– Charge/(credit) for the year	195	(485)
	3,463	(182)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years.

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

The PRC EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, and at rate of 10% (5% if obtained the Hong Kong residents) for companies incorporated in BVI and Republic of Mauritius ("Mauritius"), which are the beneficial owners of the dividend received. As at 31 December 2021 and 31 December 2020, deferred tax was provided for in respect of the temporary differences attributable to such profits, except to the extent that the Group is able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences would not be reversed in the foreseeable future.

The provision of PRC LAT is estimated per the requirements set forth in the relevant PRC tax laws and regulations. PRC LAT 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.

The tax charge for the year can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss as follows:

	2021 RMB'million	2020 RMB'million
Profit/(loss) before tax	5,671	(415)
PRC EIT at 25%	1,418	(104)
PRC LAT	1,916	225
Tax effect of PRC LAT	(479)	(56)
Net effect of withholding tax at 5% on the distributable profit of the Group's PRC subsidiaries	251	120
Tax effect of share of results of associates and joint ventures	(155)	(82)
Expenses not deductible for tax	719	248
Income not subject to tax	(13)	(20)
Tax losses not recognised	51	43
Utilisation of tax losses previously not recognised	(34)	–
Different tax rate applied	(211)	(556)
Tax charge for the year	3,463	(182)

10. Directors' emoluments and five highest paid employees

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

Name of Director	Notes	Fees	Salaries	Other benefits	Performance related incentive payments-cash bonus	Retirement benefit cost	Share-based payment expenses	2021 Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–
Mr. Douglas H.H. SUNG	(b)	–	6,247	5,809	5,284	–	4	17,344
Ms. Stephanie B.Y.LO	(c)	–	4,917	8	4,104	211	4	9,244
Sir John R.H. BOND	(f)	135	–	–	–	–	–	135
Professor Gary C. BIDDLE	(e)	534	–	–	–	–	–	534
Dr. Roger L. McCARTHY	(e)	362	–	–	–	–	–	362
Mr. David J. SHAW	(e)	332	–	–	–	–	–	332
Mr. Anthony John Liddell NIGHTINGALE	(e)	410	–	–	–	–	–	410
Mr.Shane S.TEDJARATI	(e)(g)	329	–	–	–	–	–	329
Ms.Ya Ting WU	(e)(h)	292	–	–	–	–	–	292
Total for year 2021		2,394	11,164	5,817	9,388	211	8	28,982

Name of Director	Notes	Fees	Salaries	Other benefits	Performance related incentive payments-cash bonus	Retirement benefit cost	Share-based payment expenses	2020 Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–
Mr. Douglas H.H. SUNG	(b)	–	6,005	6,082	5,771	–	14	17,872
Ms. Stephanie B.Y.LO	(c)	–	5,141	9	2,826	220	14	8,210
Mr. Frankie Y.L. WONG	(d)	130	–	–	–	–	–	130
Sir John R.H. BOND	(e)	355	–	–	–	–	–	355
Professor Gary C. BIDDLE	(e)	533	–	–	–	–	–	533
Dr. Roger L. McCARTHY	(e)	355	–	–	–	–	–	355
Mr. David J. SHAW	(e)	355	–	–	–	–	–	355
Mr. Anthony John Liddell NIGHTINGALE	(e)	452	–	–	–	–	–	452
Total for year 2020		2,180	11,146	6,091	8,597	220	28	28,262

Notes:
(a) An executive director and the chairman of the Company
(b) An executive director, managing director of the Company, chief financial officer and chief investment officer
(c) An executive director and managing director of the Company
(d) Mr. Frankie Y.L. WONG retired from office and cease to be non-executive director effective from 27 May 2020.
(e) Independent non-executive directors of the Company
(f) Sir John R.H.BOND retired from office and ceased to be independent non-executive director effective from 27 May 2021.
(g) Mr. Shane S TEDJARATI was appointed as an independent non-executive director of the Company effective from 18 January 2021.
(h) Ms. Ya Ting WU was appointed as an independent non-executive director of the Company effective from 27 January 2021.

10. Directors' emoluments and five highest paid employees – continued

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The five highest paid employees of the Group during the year included two directors (2020: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are not a director of the Company are as follows:

	2021 RMB'million	2020 RMB'million
Salaries	**16**	15
Other benefits	**3**	2
Performance related incentive payments	**9**	9
Retirement benefit costs	**–**	–
	28	26

The emoluments of the remaining highest paid employees were within the following bands:

	2021 Number of employees	2020 Number of employees
Emolument bands		
HKD7,500,001 – HKD8,000,000	**–**	1
HKD8,500,001 – HKD9,000,000	**–**	1
HKD9,000,001 – HKD9,500,000	**1**	–
HKD10,000,001- HKD10,500,000	**1**	–
HKD13,000,001 – HKD13,500,000	**–**	1
HKD13,500,001 – HKD14,000,000	**1**	–
	3	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Certain executive directors of the Company are entitled to cash bonus payments which are determined based on the Group's and directors' personal performance.

11. Dividends

	2021 RMB'million	2020 RMB'million
Dividends recognised as distribution during the year:		
Interim dividend in 2021 (2020: no interim dividend)	**241**	–
No final dividend for 2020 (2020: final dividend paid in respect of 2019 of HKD0.084 per share)	**–**	623
	241	623

A final dividend for the year ended 31 December 2021 of HKD0.084 per share (2020: nil), amounting to HKD677 million (equivalent to RMB554 million translated using the exchange rate of 0.81760 as at 31 December 2021) in aggregate, was proposed by the Directors of the Company on 24 March 2022 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

12. Earnings/(loss) per share

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

	2021 RMB'million	2020 RMB'million
Earnings/(loss)		
Earnings/(loss) for the purpose of basic/diluted earnings/(loss) per share, being profit/(loss) for the year attributable to shareholders of the Company	1,636	(740)

	2021 'million	2020 'million
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (note (a))	8,044	8,044
Effect of dilutive potential ordinary shares(note (c))	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,044	8,044
Basic earnings/(loss) per share (note (b))	RMB20.3 cents	RMB(9.2) cents
	HKD24.5 cents	HKD(10.4) cents
Diluted earnings/(loss) per share (note (b))	RMB20.3 cents	RMB(9.2) cents
	HKD24.5 cents	HKD(10.4) cents

Notes:

(a) The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 17,710,250 (2020: 17,710,250) shares held by a share award scheme trust as set out in note 36.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.2046 for 2021 and RMB1.000 to HKD1.125 for 2020, being the average exchange rates that prevailed during the respective years.

(c) There were no dilution effects from outstanding share options as the exercise prices of each of these share options were higher than the average market price of the Company's shares per share for the years ended 31 December 2021 and 2020, and the effect for convertible perpetual capital securities was anti-dilutive for the year ended 31 December 2020.

13. Investment properties

	Completed investment properties RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Investment property – sublease of right-of-use assets RMB'million	Total RMB'million
On 1 January 2020	42,888	2,915	5,997	113	51,913
Additions	102	902	101	–	1,105
Transfer upon completion	1,108	(1,108)	–	–	–
Transfer upon development commenced	–	4,328	(4,328)	–	–
Transfer to property and equipment (note 14)	(232)	–	–	–	(232)
Transfer from property and equipment	52	–	–	–	52
Decrease in fair value of the investment properties recognised in profit or loss	(1,131)	(645)	–	(10)	(1,786)
Acquisition of a piece of leasehold land (note(a))	–	393	–	–	393
Impairment	–	–	(225)	–	(225)
On 31 December 2020	42,787	6,785	1,545	103	51,220
On 31 December 2020					
– Stated at fair value	42,787	6,785	–	103	49,675
– Stated at cost	–	–	1,545	–	1,545
On 1 January 2021	**42,787**	**6,785**	**1,545**	**103**	**51,220**
Increase/(decrease)	**87**	**843**	**(602)**	**–**	**328**
Transfer from properties held-for-sale	**2,712**	**–**	**–**	**–**	**2,712**
Increase/(decrease) in fair value of the investment properties recognised in profit or loss	**99**	**(54)**	**–**	**(10)**	**35**
Transfer due to refurbishment	**(1,186)**	**1,186**	**–**	**–**	**–**
Transfer to assets classified as held-for-sale (note 39)	**–**	**(2,457)**	**–**	**–**	**(2,457)**
Transfer out upon disposal of a subsidiary (note 37)	**–**	**–**	**(527)**	**–**	**(527)**
On 31 December 2021	**44,499**	**6,303**	**416**	**93**	**51,311**
On 31 December 2021					
– Stated at fair value	**44,499**	**6,303**	**–**	**93**	**50,895**
– Stated at cost	**–**	**–**	**416**	**–**	**416**

Note:
(a) In May 2020, the Group acquired a commercial site located in Pan Long in Qingpu District of Shanghai, the PRC.

13. Investment properties – continued

The Group is in the process of obtaining land use rights certificates in respect of investment properties under construction or development with the aggregate amount of RMB79 million (2020: RMB2,325 million). The directors of the Company believe that the relevant land use rights certificates will be granted in due course and the absence of land use rights certificates does not impair the value of the relevant properties.

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

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

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

In estimating the fair value of the properties, the management of the Group has taken into consideration the highest and best use of the properties.

13. Investment properties – continued

The major inputs used in the fair value measurement of the Group's major investment properties as at 31 December 2021 and 31 December 2020 are set out below:

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Completed investment properties					
Completed investment properties located in Shanghai with an aggregate carrying amount of RMB29,707 million (2020: RMB30,705 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 3.75% to 7.75% (2020: from 3.5% to 7.75%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB3.0 to RMB17.8 (2020: from RMB3.0 to RMB17.8) per square metre ("sqm") per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Wuhan with an aggregate carrying amount of RMB9,150 million (2020: RMB6,414 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 5.25% to 7.0% (2020: from 5.25% to 6.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB4.1 to RMB6.8 (2020: from RMB5.3 to RMB6.7) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Foshan with an aggregate carrying amount of RMB4,120 million (2020: RMB4,122 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 5.0% to 5.5% (2020: from 4.5% to 5.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average ranging from RMB1.9 to RMB5.5 (2020: from RMB2.0 to RMB5.0) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Chongqing with an aggregate carrying amount of RMB1,522 million (2020: RMB1,546 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 4.25% to 5.5% (2020: 4.25% to 5.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB1.2 to RMB2.3 (2020: from RMB1.2 to RMB2.3) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.

13. Investment properties – continued

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Investment properties under construction or development that are measured at fair value					
Investment properties under construction or development located in Shanghai with an aggregate carrying amount of RMB4,422 million (2020: RMB2,456 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value;	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB5,794 million (2020: RMB4,711 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
Investment properties under construction or development located in Foshan with an aggregate carrying amount of RMB1,881 million (2020: RMB4,329 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value;	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB5,080 million (2020: RMB12,406 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.

There were no transfers in or out of Level 3 during both years.

At 31 December 2021, the Group's investment properties with a total carrying amount of RMB33,764 million (2020: RMB31,592 million) were pledged to secure banking facilities granted to the Group (note 40).

14. Property and equipment

	Land and buildings RMB'million	Hotel properties RMB'million	Hotels under development RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
AT COST					
On 1 January 2020	851	636	51	532	2,070
Additions	–	(1)	–	110	109
Transfer from completed investment properties (note 13)	232	–	–	–	232
Transfer to completed investment properties (note 13)	(60)	–	–	–	(60)
Disposals	(3)	–	–	(21)	(24)
On 31 December 2020 and 1 January 2021	1,020	635	51	621	2,327
Additions	**28**	**–**	**–**	**41**	**69**
Disposals	**(108)**	**–**	**–**	**(215)**	**(323)**
On 31 December 2021	**940**	**635**	**51**	**447**	**2,073**
ACCUMULATED DEPRECIATION					
On 1 January 2020	232	289	–	496	1,017
Charge for the year	29	21	–	48	98
Transfer to completed investment properties (note 13)	(28)	–	–	–	(28)
Impairment loss recognised	21	–	–	–	21
Disposals	–	–	–	(16)	(16)
On 31 December 2020 and 1 January 2021	254	310	–	528	1,092
Charge for the year	**32**	**12**	**–**	**61**	**105**
Disposals	**(108)**	**–**	**–**	**(209)**	**(317)**
On 31 December 2021	**178**	**322**	**–**	**380**	**880**
CARRYING VALUES					
On 31 December 2021	**762**	**313**	**51**	**67**	**1,193**
On 31 December 2020	766	325	51	93	1,235

14. Property and equipment – continued

The carrying amounts of owner-occupied leasehold land and buildings of RMB710 million (2020: RMB715 million) and hotel properties of RMB313 million (2020: RMB325 million) at the end of the reporting year included both the leasehold land and building elements in property and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably. The land portions of the remaining owner-occupied properties were included in right-of-use assets.

During the year ended 31 December 2021, the directors of the Company conducted an impairment review on the property and equipment and no impairment loss was recognised for the year ended 31 December 2021 (2020: RMB21 million).

15. Leases

The Group as a lessee

RIGHT-OF-USE ASSETS	Leasehold land RMB'million	Leased properties RMB'million	Total RMB'million
On 1 January 2020	41	55	96
Depreciation charge	(1)	(32)	(33)
Additions	–	13	13
On 31 December 2020 and 1 January 2021	40	36	76
Depreciation charge	**(1)**	**(29)**	**(30)**
Additions	**2**	**7**	**9**
On 31 December 2021	**41**	**14**	**55**

The Group leases various premises for its operations. Lease contracts are entered into for fixed term of 17 months to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on leases

In addition, lease liabilities of RMB14 million are recognised with related leased properties as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease committed

As at 31 December 2021, the Group entered into a lease for office that have not yet commenced, with non-cancellable period of fifteen years, excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period amounted to RMB383 million.

15. Leases – continued

The Group as a lessor

Property rental income in respect of the investment properties earned of RMB2,005 million (2020: RMB1,677 million) (note 5). The investment properties held have committed tenants for the next one to fourteen years at fixed rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2021 amounting to RMB108 million (2020: RMB67 million). These contingent rentals are generally based on specified percentages of revenue of the tenants. The terms of the leases generally require the tenants to pay security deposits.

At 31 December 2021 and 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'million	2020 RMB'million
Within one year	**1,880**	1,716
After one year but within two years	**1,379**	1,223
After two years but within three years	**843**	769
After three years but within four years	**482**	442
After four years but within five years	**305**	281
After five years	**433**	494
	5,322	4,925

16. Properties under development for sale

	2021 RMB'million	2020 RMB'million
At beginning of the year	**21,247**	17,855
Additions	**3,273**	4,391
Transfer to properties held for sale	**(17,821)**	(772)
Impairment	**–**	(227)
At end of the year	**6,699**	21,247

Included in the properties under development for sale as at 31 December 2021 is carrying value of RMB1,352 million (2020: RMB7,744 million) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting year.

The Group has obtained land use rights certificates for all properties under development for sale (2020: The Group was in the process of obtaining land use rights certificates in respect of properties under development for sale with the aggregate amount of RMB441 million). Impairment provision was not applicable (2020: RMB227 million) with respect to a land without land use right certificate during the reporting year.

At 31 December 2021, the Group's property under development for sale with a total carrying amount of RMB497 million (2020: RMB10,522 million) was pledged to secure banking facilities granted to the Group (note 40).

17. Interests in associates/amounts due from/loans from/amounts due to associates

	Notes	2021 RMB'million	2020 RMB'million
Interests in associates			
– Cost of investments, unlisted		**7,615**	7,594
– Share of post-acquisition results, net of effect on elimination of unrealised intercompany transactions		**426**	244
– Share of other comprehensive loss of an associate		**(3)**	(10)
		8,038	7,828
Amounts due from associates – current			
– Interest free	(a)	**555**	196
		555	196
Loans from/amounts due to associates – current			
– Interest free	(a)	**452**	523
– Fixed rate at 3.8% to 3.85%	(b)	**2,548**	276
		3,000	799

Notes:
(a) The amounts due from/to associates as at 31 December 2021 and 31 December 2020 are unsecured, interest free and repayable on demand.
(b) The loans from associates of RMB2,548 million as of 31 December 2021 (2020: RMB276 million) bear interest rates of 3.80% to 3.85% and are repayable within one year from the end of the reporting year.

Particulars of the Group's associates as at 31 December 2021 and 31 December 2020 are as follows:

Name of associate	Proportion of voting rights held by the Group		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group		Place of incorporation/ registration and operations	Principal activities
	2021	2020	**2021**	2020		
Colour Bridge Development Holdings Limited ("Colour Bridge")	**49.5%**	49.5%	**49.5%**	49.5%	BVI	Investment holding
重慶瑞安天地房地產發展有限公司(Chongqing Shui On Tiandi Real Estate Development Company Limited) ("Chongqing Shui On Tiandi")	**20%**	20%	**19.8%**	19.8%	PRC	Property development and other activities
Top Fountain Limited ("Top Fountain")	**45%**	45%	**45%**	45%	BVI	Investment holding

17. Interests in associates/amounts due from/loans from/amounts due to associates – continued

The summarised consolidated financial information of Colour Bridge for the years ended 31 December 2021 and 31 December 2020 is set out below:

	2021 RMB'million	2020 RMB'million
Current assets	**20,463**	18,724
Non-current assets	**190**	164
Current liabilities	**10,869**	9,191
Non-current liabilities	**1**	–
Net assets	**9,783**	9,697
Revenue	**3,667**	7,125
Profit and total comprehensive income for the year	**77**	547

Reconciliation of the above summarised consolidated financial information to the carrying amount of Colour Bridge recognised in the consolidated financial statements:

	2021 RMB'million	2020 RMB'million
Net assets of Colour Bridge	**9,783**	9,697
Less: Non-controlling interests of Colour Bridge	**(40)**	(31)
Equity attributable to shareholders of Colour Bridge	**9,743**	9,666
Proportion of the Group's ownership interests in Colour Bridge	**50%**	50%
Group's share of net assets in Colour Bridge	**4,871**	4,833
Less: Elimination of unrealised intercompanies transactions	**(49)**	(62)
Carrying amount of the Group's interests in Colour Bridge	**4,822**	4,771

The summarised consolidated financial information of Chongqing Shui On Tiandi for the years ended 31 December 2021 and 31 December 2020 is set out below:

	2021 RMB'million	2020 RMB'million
Current assets	**13,467**	11,688
Non-current assets	**2**	2
Current liabilities	**7,338**	5,874
Non-current liabilities	**–**	–
Net assets	**6,131**	5,816
Revenue	**2,593**	1,569
Profit and total comprehensive income for the year	**315**	303

17. Interests in associates/amounts due from/loans from/amounts due to associates – continued

Reconciliation of the above summarised financial information to the carrying amount of the interests in Chongqing Shui On Tiandi recognised in the consolidated financial statements:

	2021 RMB'million	2020 RMB'million
Net assets of Chongqing Shui On Tiandi	**6,131**	5,816
Proportion of the Group's ownership interest in Chongqing Shui On Tiandi	**19.8%**	19.8%
Carrying amount of the Group's interest in Chongqing Shui On Tiandi	**1,214**	1,152

The summarised consolidated financial information of Top Fountain for the years ended 31 December 2021 and 31 December 2020 is set out below:

	2021 RMB'million	2020 RMB'million
Current assets	**247**	234
Non-current assets	**6,751**	6,608
Current liabilities	**2,524**	126
Non-current liabilities	**87**	2,546
Net assets	**4,387**	4,170
Revenue	**299**	275
Profit/(loss) for the year	**154**	(34)
Total comprehensive income/(expense) for the year	**170**	(52)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Top Fountain recognised in the consolidated financial statements:

	2021 RMB'million	2020 RMB'million
Net assets of Top Fountain	**4,387**	4,170
Less:		
Non-controlling interests of Top Fountain	**(39)**	(37)
Equity attributable to shareholders of Top Fountain	**4,348**	4,133
Proportion of the Group's ownership interest in Top Fountain	**45%**	45%
Group's share of net assets in Top Fountain	**1,957**	1,860
Other adjustment	**45**	45
Carrying amount of the Group's interest in Top Fountain	**2,002**	1,905

18. Interests in joint ventures/loans to/amounts due from joint ventures/amounts due to a joint venture

	2021 RMB'million	2020 RMB'million
Investment in joint ventures		
– Cost of investment, unlisted	**9,893**	8,727
– Impairment provision	**(376)**	(376)
– Share of post-acquisition results, net of effect on elimination of unrealised intercompanies transactions	**591**	198
– Share of other comprehensive income of a joint venture	**55**	40
	10,163	8,589
Loans to joint ventures – non-current		
– Unsecured, interest bearing at 110% of loan prime rate (note (a))	**2,156**	1,930
Amounts due from joint ventures – non-current		
– Unsecured, interest free (note (b))	**3,153**	1,454
	15,472	11,973
Amounts due from joint ventures-current		
– Unsecured, interest-free and repayable on demand	**–**	20
	–	20
Amounts due to a joint venture – current		
– Unsecured, interest free (note (c))	**13**	12
	13	12

Notes:
(a) RMB2,156 million is repayable based on the dates set out on the drawdown notice of the loan.
(b) In the opinion of the directors, all amounts due from joint ventures are unlikely to be repaid in the foreseeable future; The amounts of RMB1,500 million as of 31 December 2021 (2020: RMB1,454 million) are considered as part of the Group's net investments in the joint ventures.
(c) The amounts due to a joint venture as at 31 December 2021 and 31 December 2020 are unsecured, interest free and repayable on demand.

18. Interests in joint ventures/loans to/amounts due from joint ventures/amounts due to a joint venture – continued

Particulars of the Group's joint ventures as at 31 December 2021 and 31 December 2020 are as follows:

Name of joint venture	Proportion of voting rights held by the Group		Proportion of nominal value of issued ordinary share capital/registered capital held by the Group		Place of incorporation/registration and operations	Principal activities
	2021	2020	**2021**	2020		
Commercial Properties Business (Note (a))	**50%**	50%	**49.5%**	49.5%	PRC	Property development and other activities
上海瑞永景房地產開發有限公司 ("Shanghai Rui Yong Jing")# (Note (b))	**29%**	29%	**25%**	25%	PRC	Property development and other activities
Hua Xia Rising (Hong Kong) Limited	**50%**	50%	**50%**	50%	Hong Kong	Investment holding
上海景綽企業發展有限公司 ("Shanghai Jingchuo")# (Note (c))	**49%**	49%	**49%**	49%	PRC	Property management and other activities
上海復基房地產有限公司 (Note(d))	**50%**	–	**50%**	–	PRC	Property development and other activities
Great Market Limited (Note (e))	**60%**	60%	**58%**	58%	Hong Kong	Investment holding
Sino Profit Development Limited (Note (f))	**50%**	50%	**50%**	50%	Hong Kong	Investment holding
武漢城建瑞臻房地產開發有限公司(Note (g))	**50%**	–	**50%**	–	PRC	Property development and other activities

(a) The group has interest in Commercial Properties Business which is principally engaged in property development and management of commercial units in Shanghai.

(b) In 2018, pursuant to joint venture agreement, the Group through a wholly owned subsidiary established Shanghai Rui Yong Jing with strategic partners for carrying out property development project in Shanghai, the PRC.
Pursuant to joint venture agreement, the Group and the other equity owners (the "JV Partners 2" who are two independent third parties and own 70%, 5% equity interest in Shanghai Rui Yong Jing, respectively) are considered to have joint control over Shanghai Rui Yong Jing as all major decisions require unanimous approval of all directors of Shanghai Rui Yong Jing.

(c) Pursuant to the joint venture agreement and articles of association of Shanghai Jingchuo, the Group, through a wholly-owned subsidiary, and the other equity owners (the "JV Partners 3" who are two independent third parties and own 20%, 31% equity interest in Shanghai Jingchuo, respectively) are considered to have joint control over Shanghai Jingchuo as major decisions that relate to the relevant activities of Shanghai Jingchuo require unanimous consent from the Group and the JV Partners 3.

(d) In June 2021, the Group, through an indirect wholly-owned subsidiary, established a joint venture with Shanghai Yongye Enterprise (Group) Co., Ltd) to carry out the property development project at the lands in Huangpu District, Shanghai. All major decisions of this joint venture require unanimous approval of all directors of this joint venture company.

(e) On 14 May 2019, the Group entered into an agreement with Shui On Building Materials Limited (an indirect wholly-owned subsidiary of SOCAM Development Limited ("SOCAM"), in relation to the sale and purchase of 58% of the issued share capital of Great Market Limited and the assignment of the sale shareholder loan for a total consideration of RMB148 million. The acquisition was completed on 28 June 2019. Upon completion, Great Market Limited became a joint venture of the Group as decisions on relevant activities of Great Market Limited required unanimous consent from the Group and the other equity holder (the "JV" Partner 4").

(f) On 22 December 2020, the Group, through a wholly-owned subsidiary, entered into an agreement with an independent third party (the "JV Partner 5") in relation to the formation of Sino Profit Development Limited ("Sino Profit"). Pursuant to the joint venture agreement, the Group and the JV Partner 5 are considered to have joint control over Sino Profit as major decisions require the approval of all directors from the Group and the JV Partner 5.

(g) In December 2021, the Group, through an indirect wholly-owned subsidiary established a joint venture with a Wuhan Real Estate Group Co. ,Ltd.*for the acquisition and the development of certain lands in Wuchang District, Wuhan City. All major decisions of this joint venture company require unanimous approval of all directors of this joint venture company.

English name is for identification only

18. Interests in joint ventures/loans to/amounts due from joint ventures/amounts due to a joint venture – continued

Summarised financial information of material joint ventures:

Summarised financial information in respect of the Group's material joint ventures, Commercial Properties Business and Shanghai Rui Yong Jing is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Interests pertaining to Commercial Properties Business:

	2021 RMB'million	2020 RMB'million
Current assets	**354**	132
Non-current assets	**15,577**	14,112
Current liabilities	**904**	821
Non-current liabilities	**6,116**	4,787

The above amounts of assets and liabilities include the following:

	2021 RMB'million	2020 RMB'million
Cash and cash equivalents	**279**	114
Current financial liabilities (excluding trade and other payables and provisions)	**27**	37
Non-current financial liabilities (excluding trade and other payables and provisions)	**5,597**	4,454

	2021 RMB'million	2020 RMB'million
Revenue	**317**	169
Profit and total comprehensive income for the year	**275**	352

The above profit for the year includes the following:

	2021 RMB'million	2020 RMB'million
Depreciation and amortisation	**7**	5
Interest income	**3**	2
Interest expense	**234**	70

Reconciliation of the above summarised financial information to the carrying amount of the Commercial Properties Business recognised in the consolidation financial statements:

	2021 RMB'million	2020 RMB'million
Net assets of Commercial Properties Business	**8,911**	8,636
Proportion of the Group's ownership interest in Commercial Properties Business	**49.5%**	49.5%
Carrying amount of the Group's Commercial Properties Business	**4,411**	4,275

18. Interests in joint ventures/loans to/amounts due from joint ventures/amounts due to a joint venture – continued

Shanghai Rui Yong Jing

	2021 RMB'million	2020 RMB'million
Current assets	**878**	1,100
Non-current assets	**19,196**	17,994
Current liabilities	**160**	88
Non-current liabilities	**3,703**	2,621
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**55**	159
Non-current financial liabilities (excluding trade and other payables and provisions)	**3,456**	2,621
Loss and total comprehensive expense for the year	**(175)**	(872)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Shanghai Rui Yong Jing recognised in the consolidation financial statements:

	2021 RMB'million	2020 RMB'million
Net assets of Shanghai Rui Yong Jing	**16,211**	16,385
Proportion of the Group's ownership interest in Shanghai Rui Yong Jing	**25%**	25%
	4,053	4,096
Transaction costs capitalized	**3**	3
Carrying amount of Shanghai Rui Yong Jing (note)	**4,056**	4,099

Note:
The Group's original investment costs in Shanghai Rui Yong Jing comprise the historical costs invested into the land by the Group before establishment of a joint venture with strategic partners in July 2018 and the proportion payment for bidding of the land. The amount of the share of fair value of the net assets value of Shanghai Rui Yong Jing below the original investment costs of RMB376 million was recognised as an impairment provision of investment in a joint venture as of 31 December 2021 and 31 December 2020.

Aggregate information of joint ventures that are not individually material:

	2021 RMB'million	2020 RMB'million
The Group's share of gain from continuing operations	**347**	33
The Group's share of other comprehensive income	**16**	55
The Group's share of total comprehensive income	**363**	88

Aggregate carrying amount of the Group's interests in these individually not material joint ventures:

	2021 RMB'million	2020 RMB'million
Investment in joint ventures	**1,696**	215

19. Receivables, deposits and prepayments

	2021 RMB'million	2020 RMB'million
Non-current assets comprise:		
Trade receivables(note(b))		
– rental receivables	289	275
– goods and services	–	60
	289	335
Current assets comprise:		
Trade receivables(note(b))		
– rental receivables	87	132
– goods and services	143	54
– operating lease receivables	26	26
Prepayments of relocation costs (note(a))	682	750
Receivables from disposal of an associate and a joint venture	197	250
Receivables from disposal of subsidiaries	–	500
Other deposits, prepayments and receivables	427	443
Input value-added tax	327	285
	1,889	2,440

Notes:

(a) The balances represent the amounts that will be compensated by the government upon the relocation is completed.
(b) 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) operating lease 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.
(iv) rental receivables attributable to the rent-free period and have been calculated and amortised on a straight-line base over the lease terms.

As at 31 December 2021 and 31 December 2020, trade receivables from contracts with customers amounted to RMB143 million and RMB114 million, respectively.

Included in the Group's receivables, deposits and prepayments are trade receivable balances of RMB545 million (2020: RMB547 million), of which 80% (2020: 86%) are not yet past due, 14% (2020: 9%) are past due less than 90 days, and 6% (2020: 5%) are past due over 90 days, as compared to when revenue was recognised.

Out of the past due balances, RMB35 million (2020: RMB31 million) has been past due 90 days or more and is not considered as in default since the directors of the Company consider that such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customers.

Details of ECL allowance for the year ended 31 December 2021 are set out in Note 44 (b).

20. Contract assets

	2021 RMB'million	2020 RMB'million
Construction	434	305

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

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

Details of ECL allowance for the year ended 31 December 2021 are set out in Note 44 (b).

21. Bank balances and cash

	2021 RMB'million	2020 RMB'million
Bank and cash -unrestricted	15,119	9,977
Bank balances -restricted	2,165	4,506
	17,284	14,483

Restricted bank balances as at 31 December 2021 and 2020 include monies placed by the Group with banks amounting to RMB2,165 million (2020: RMB4,506 million) which can only be applied to designated property development projects of the Group.

Bank balances and restricted bank balances carry interest at market rates which range from 0.00% to 2.125% (2020: 0.00% to 2.125%) per annum.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB15,279 million (31 December 2020: RMB13,523 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. Properties held for sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at the lower of cost or net realisable value.

23. Amounts due from/to related companies

	2021 RMB'million	2020 RMB'million
Amounts due from related companies comprise:		
Fellow subsidiaries	394	440
Amounts due to related companies comprise:		
Fellow subsidiaries	365	377

All of amounts due from related companies are non-trade nature, unsecured and interest free as at 31 December 2021 (2020: RMB432 million).

In the opinion of the directors of the Company, the amounts due from related companies amounting to RMB394 million (2020: RMB440 million) are expected to be repaid within twelve months after the end of the reporting period and accordingly the amounts are classified as current assets.

Amounts due to related companies are non-trade nature, unsecured, interest free and repayable on demand.

Details of ECL allowance for the year ended 31 December 2021 are set out in Note 44 (b).

24. Loans from/amounts due to non-controlling shareholders

	2021 RMB'million	2020 RMB'million
Loans from a non-controlling shareholder (note (a))	–	1,476
Amounts due to non-controlling shareholders (note (b))	281	35
	281	1,511

(a) The amounts of RMB1,444 million was reclassified to non-controlling interest in equity as loans from non-controlling shareholders which are interest-free and not demanded for payments by the non-controlling shareholder unless the subsidiaries are in a position to repay and the repayment is mutually agreed between the non-controlling shareholder's subsidiaries and non-controlling shareholder, or upon the winding up of the subsidiaries.
(b) The amounts due to non-controlling shareholders are unsecured, interest free and repayable on demand.

25. Loan to a non-controlling shareholder

	2021 RMB'million	2020 RMB'million
Loan to a non-controlling shareholder	22	–

The loan to a non-controlling shareholder of RMB22 million as of 31 December 2021 (2020: nil) bearing interest rates of 3.8%, is unsecured and repayable within five years from the end of the reporting year.

26. Accounts payable, deposits received and accrued charges

	2021 RMB'million	2020 RMB'million
Current portion comprise:		
Trade payables	3,875	2,123
Land and relocation cost payables	1,310	1,604
Deed tax and other tax payables	69	94
Deposits received and receipt in advance in respect of rental of investment properties	970	814
Value-added tax payables	596	173
Value-added tax arising from contract liabilities	663	879
Retention payables (note (a))	46	293
Other payables and accrued charges	436	860
	7,965	6,840

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

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB3,875 million (2020: RMB2,123 million), of which 94% (2020: 83%) are aged less than 30 days, 1% (2020: 4%) are aged between 31 to 90 days, and 5% (2020: 13%) are aged more than 90 days, based on invoice date.

27. Contract liabilities

	2021 RMB'million	2020 RMB'million
Sales of properties	11,056	12,907

Revenue of RMB11,566 million and RMB213 million was recognised during the year ended 31 December 2021 and 2020 respectively that was included in the contract liabilities at the beginning balance of the reporting year.

The Group receives 30%-100% of the contract value as deposits from customers or receipts in advance from customers upon signing the sale and purchase agreement for sales of properties. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period. No contract liabilities as at 31 December 2021 (2020: RMB155 million) are expected to be realised after twelve months from the end of the reporting year.

28. Bank borrowings

	2021 RMB'million	2020 RMB'million
Bank borrowings repayable within a period of*:		
– Not more than 1 year or on demand	6,424	6,976
– More than 1 year, but not exceeding 2 years	6,492	6,504
– More than 2 years, but not exceeding 5 years	4,303	4,160
– More than 5 years	2,528	2,643
	19,747	20,283
Less: Amount due within one year shown under current liabilities	(6,424)	(6,976)
Amount due after one year	13,323	13,307

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2021, the Group's bank borrowings amounting to RMB9,319 million (2020: RMB11,408 million) were secured by the pledge of assets as set out in note 40.

28. Bank borrowings – continued

The carrying amounts of the Group's bank borrowings are analysed as follows:

Denominated in	Interest rate	2021 RMB'million	2020 RMB'million
RMB	Loan prime rate ("LPR") plus 0% to 1.14%/90% to 125% of LPR (2020: LPR) plus 0% to1.00%/90% to 125% of LPR)	**7,232**	9,288
HKD	HIBOR plus 2.9% to 4.0% (2020: HIBOR plus 1.0% to 4.0%)	**3,805**	4,834
USD	LIBOR plus 1.3% to 4.0% (2020: LIBOR plus 1.8% to 3.8%)	**8,710**	6,161
		19,747	20,283

As at 31 December 2021, the weighted average effective interest rate on the bank borrowings was 3.84% (2020: 4.15%), and are further analysed as follows:

	2021	2020
Denominated in RMB	**4.8%**	4.8%
Denominated in HKD	**3.6%**	3.6%
Denominated in USD	**3.1%**	3.5%

29. Share capital

	Authorised		Issued and fully paid	
	Number of shares	USD'000	Number of shares	USD'000
Ordinary shares of USD0.0025 each				
On 1 January 2020,				
31 December 2020 and				
31 December 2021	**12,000,000,000**	**30,000**	**8,062,216,324**	**20,155**

	2021 RMB'million	2020 RMB'million
Shown in the consolidated statement of financial position as	**146**	146

30. Reserves

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve comprises:

The difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in equity upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

(c) Other reserves mainly comprise:

(i) An amount of RMB483 million, which represents payable waived in 2004 by Shui On Investment Company Limited ("SOI", a then shareholder of the Company, which was wholly owned by Shui On Company Limited ("SOCL")), in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of SOI, and recharged to certain subsidiaries of the Company.

(ii) A credit amount of RMB34 million recognised in the year ended 31 December 2010, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd. being acquired from the non-controlling interests in 2010.

(iii) A credit amount of RMB188 million recognised against the other reserve in the year ended 31 December 2012, which arose from the Group's acquisition of additional interest of 4.81% in Foresight Profits Limited ("Foresight") through capital injection in Foresight. Following the acquisition of the entire non-controlling interest in Foresight during the prior year, all balances of non-controlling interest related to Foresight are derecognised and hence the corresponding adjustment of RMB188 million is made to other reserve.

(iv) A credit amount of RMB138 million recognised in the year ended 31 December 2012, which represents the difference between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Glory Land Investments Limited ("Glory Land", an indirect wholly owned subsidiary of the Company which is engaged in property development in Foshan, the PRC). The 49% equity interests in Glory Land was acquired during the year ended 31 December 2015 and a debit balance of RMB80 million, representing the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to such acquisition, was recognised in "other reserves". The net difference of RMB58 million previously recognised in other reserve was transferred to retained earnings.

(v) A debit amount of RMB43 million recognised in the year ended 31 December 2013, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in Shanghai Bai-Xing Properties Co., Ltd. ("Bai-Xing"), Shanghai Ji-Xing Properties Co., Ltd. ("Ji-Xing"), Shanghai Tai Ping Qiao Properties Management Co., Ltd. ("TPQM"), Shanghai Xin-tian-di Plaza Co., Ltd. ("XTD Plaza"), Shanghai Xing Bang Properties Co., Ltd. ("Xing Bang") and Shanghai Xing-Qi Properties Co., Ltd. ("Xing-Qi"). RMB9 million in relation to Xing-Bang was derecognised following the disposal of Brixworth International Limited during the year ended 31 December 2015.

30. Reserves – continued

(c) Other reserves mainly comprise: – continued

(vi) A credit amount of RMB120 million recognised in the year ended 31 December 2014, which represents the difference between the fair value of consideration paid and the decrease in the non-controlling shareholders of subsidiaries.

(vii) A debit amount of RMB57 million recognised in the year ended 31 December 2015, which represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Beaming Leader Limited.

(viii) A debit amount of RMB14 million recognised in the year ended 31 December 2017, which represents the difference between the fair value of the consideration received and the increase in the non-controlling interests of subsidiaries of RMB1,117 million which arose from the Group's partial disposal of equity interests of 49% in Bright Power Enterprises Limited ("Bright Power") and Merry Wave Limited ("Merry Wave") (indirectly wholly-owned subsidiaries of the Company which are engaged in property development in Shanghai, the PRC).

The consideration was finalised and a credit amount of RMB86 million was recognised during the year ended 31 December 2018.

(ix) A debit amount of RMB276 million recognised in the year ended 31 December 2017, which represents the exchange loss on redemption of perpetual capital securities.

(x) On 28 December 2018, China Xintiandi Limited (a wholly-owned subsidiary of the Company) entered into an agreement with BSREP CXTD Holdings L.P.("BSREP CXTD") to acquire all the interest held by BSREP CXTD in China Xintiandi Holding Company Limited ("China Xintiandi"), comprising approximately 21.894% of all the issued shares in the capital of China Xintiandi and the outstanding convertible perpetual securities in the principal amount of US$100,000 (the "Sale CPS")(the "Brookfield Transaction"). The total consideration was paid in March 2019.

A debit amount of RMB381 million recognised in the year ended 31 December 2018, which represents the difference between the consideration and the decrease in the non-controlling shareholders of subsidiaries arising from the Brookfield Transaction. A credit amount of RMB7 million recognised in other reserves in the year ended 31 December 2019 due to the change in foreign exchange.

(xi) A debit amount of RMB256 million recognised in the year ended 31 December 2020, which represents the exchange loss on redemption of convertible perpetual capital securities.

31. Senior notes

	2021 RMB'million	2020 RMB'million
On 1 January	**16,063**	11,399
Issue of new senior notes	**2,525**	8,176
Less: Transaction costs directly attributable to issue of senior notes	**(3)**	(10)
Interest charged during the year	**839**	829
Less: Interest paid	**(922)**	(709)
Less: Repayment/redemption of senior notes	**(6,114)**	(2,736)
Exchange realignment	**(272)**	(886)
On 31 December	**12,116**	16,063
Less: Amount due within one year shown under current liabilities	**–**	(6,273)
Amount due after one year	**12,116**	9,790

On 31 December 2021, the effective interest rates on the senior notes ranged from 5.50% to 6.26% (2020: 5.50% to 7.24%) per annum. The senior notes are unsecured and guaranteed by the Company.

31. Senior notes – continued

Issuance of Senior Notes during year ended 31 December 2021

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

Principal terms of 2026 USD400 million Notes

The 2026 USD400 million Notes are:

(a) senior in right of payment to any existing and future obligations of SODH expressly subordinated in right of payment to the 2026 USD400 million Notes;

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

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

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

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SODH.

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

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

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

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

In the opinion of the Directors of the Company, the option to early redeem was closely related to the 2026 USD400 million Notes, no separate accounting of the option is required.

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

32. Perpetual capital securities

Perpetual capital securities issued in 2017

On 20 June 2017, SODH issued USD600 million (equivalent to approximately RMB4,085 million) 6.40% guaranteed perpetual capital securities ("2017 Perpetual Capital Securities") at an issue price of 100% of the principal amount. The 2017 Perpetual Capital Securities were guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH under the 2017 Perpetual Capital Securities. Distributions on the 2017 Perpetual Capital Securities are paid semi-annually in arrears in U.S. dollars on 20 June and 20 December in each year, commencing on 20 December 2017 and can be deferred at the discretion of SODH. The 2017 Perpetual Capital Securities have no fixed maturity and are redeemable at SODH's option on or after 20 June 2022 at their principal amounts together with any accrued, unpaid, or deferred distributions. While any distributions are unpaid or deferred, the Company and SODH cannot declare or pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and SODH.

33. Derivative financial instruments

	2021 RMB'million	2020 RMB'million
Currency forward contracts designated as hedging instruments	**244**	565
Currency capped forward contracts not designated as hedging instruments	**–**	154
Interest rate swaps designated as hedging instruments	**(4)**	3
	240	722
For the purpose of financial statement presentation:		
Current assets	**–**	–
Current liabilities	**240**	722

Currency forward contracts and interest rate swaps designated as hedging instruments

As at 31 December 2021, the Group had currency forward contracts and interest rate swaps designated as effective hedging instruments in order to minimise its exposure to foreign currency risk on its USD/HKD senior notes and bank borrowings and cash flow interest rate risk on its floating-rate HKD bank borrowings.

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	2021	2020
a) Currency forward contracts:		
Carrying amount (RMB'million)	**(244)**	(565)
Notional amount (original foreign currency) ('million)	**USD1,130**	USD1,115
	HKD750	HKD1,050
Maturity date	**8 March 2022-30 January 2023**	24 February 2021-4 January 2022
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB 'million)	**244**	565
Change in value of hedged items used to determine hedge effectiveness during the year (RMB 'million)	**(127)**	(514)
Strike rate	**USD:RMB6.5400-6.7430**	USD: RMB6.6820-7.2200
	HKD:RMB0.8528-0.8663	HKD: RMB0.9188-0.9290

33. Derivative financial instruments – continued

Currency forward contracts and interest rate swaps designated as hedging instruments – continued

The effects of applying hedge accounting on the Group's financial position and performance are as follows – continued

	2021	2020
b) Interest rate swaps:		
Carrying amount (RMB'million)	**4**	3
Notional amount (original foreign currency)('million)	**HKD3,320**	HKD2,570
	USD200	USDNil
Maturity date	**19 March 2022- 20 July 2023**	24 February2021- 4 January 2022
Strike rate(fixed rate range)	**HKD:0.27%-0.54%**	HKD:0.27%-0.47%
	USD:0.22%-0.235%	

During the year ended 31 December 2021, the fair value gain arising from the currency forward contracts and interest rate swaps of RMB329 million (2020: loss RMB671 million) was recognised in hedge reserve. An amount of RMB386 million (2020: RMB732 million) has been released from hedge reserve to the profit or loss during the year ended 31 December 2021.

34. Deferred tax assets/liabilities

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Temporary differences resulting from investment properties	Tax losses	Recognition of sales and related cost of sales	Withholding tax on income derived in the PRC	Others	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
1 January 2020	5,766	(425)	130	22	(384)	5,109
Charge/(credit) to profit or loss	(834)	(126)	95	110	270	(485)
Transfer to current withholding tax	–	–	–	(40)	–	(40)
On 31 December 2020 and 1 January 2021	4,932	(551)	225	92	(114)	4,584
Charge/(credit) to profit or loss	**(84)**	**187**	**(17)**	**186**	**(77)**	**195**
On 31 December 2021	**4,848**	**(364)**	**208**	**278**	**(191)**	**4,779**

34. Deferred tax assets/liabilities – continued

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'million	2020 RMB'million
Deferred tax assets	**(279)**	(825)
Deferred tax liabilities	**5,058**	5,409
	4,779	4,584

At the end of the reporting year, the Group has unused tax losses of RMB2,230 million (2020: RMB3,099 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB1,456million (2020: RMB2,204 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB774 million (2020: RMB895 million) as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. The unrecognised tax losses will expire in the following years ending 31 December:

	2021 RMB'million	2020 RMB'million
2021	**–**	257
2022	**173**	179
2023	**106**	106
2024	**183**	180
2025	**109**	173
2026	**203**	–
	774	895

In the opinion of the directors, the aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised was insignificant.

35. Receipts under securitisation arrangements

On 27 November 2018, Foshan An Ying Property Development Co., Ltd (the "Foshan An Ying"), a wholly-owned subsidiary of the Company, issued receipts under securitisation arrangements (the "Receipts Under Securitisation Arrangements") with an aggregate principal amount of RMB770,000,000 at 100% of face value comprising (i) RMB525,000,000 with a term of fixed annual coupon rate of 6% and provide distribution semi-annually (the "Senior Tranche A Securities"), (ii) RMB240,000,000 with a term of fixed annual coupon rate of 6.5% and provide distribution semi-annually (the "Senior Tranche B&C Securities"), and (iii) RMB5,000,000 with a term of no annual coupon rate (the "Junior Tranche Securities"). The Receipts Under Securitisation Arrangements are listed on the Shanghai Stock Exchange. The net proceeds of the Receipts Under Securitisation Arrangements, after deduction of arrangement fee amounted to RMB524 million. The Senior Tranche A Securities, the Senior Tranche B&C Securities and the Junior Tranche Securities will be repaid by instalments till 23 January 2036. The Receipts Under Securitisation Arrangements are assets backed securitisation collateralised by the certain commercial assets held by Foshan An Ying and its certain future rental income.

The Receipts Under Securitisation Arrangements were fully redeemed in July 2021.

The movement of the Receipts Under Securitisation Arrangements is set out below:

	2021 RMB'million	2020 RMB'million
On 1 January	**513**	519
Less: Repayment of principal	**(513)**	(6)
On 31 December	**–**	513
Less: Amount due within one year shown under current liabilities	**–**	(11)
Amount due after one year	**–**	502

36. Provident and retirement fund schemes

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was effective in 2004. The assets of the Plan are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2021 is RMB305,000 (2020: RMB330,000).

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The actuarial valuations of the plan assets and the present value of the defined benefit obligation are carried out as at 31 December 2021 and 31 December 2020 by Mr. Leong-Hang Choi of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost are measured using the Projected Unit Credit Method.

The Plan exposes the Group to actuarial risks such as investment risk, interest risk and salary risk.

Investment risk	The plan assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the plan investments.
Interest risk	The present value of the defined benefit plan liabilities is calculated using a discount rate determined by reference to market corporate bond yields. A decrease in the discount rate will increase the plan liabilities.
Salary risk	The present value of the defined benefit plan liabilities is calculated by reference to the future salaries of members. An increase in the salaries of members will increase the plan liabilities.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	2021	2020
Discount rate per annum	**1.0%**	0.3%
Expected rate of salary increase	**3.5%**	3.5%

The actuarial valuation showed that the market value of plan assets was RMB24 million (2020: RMB30 million) and that the actuarial value of these assets represented 75% (2020: 86%) of the benefits that had accrued to members.

36. Provident and retirement fund schemes – continued

Hong Kong – continued

The Plan – continued

Amounts recognised in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2021 RMB'million	2020 RMB'million
Service cost and components of defined benefit costs recognised in profit or loss:		
– Current service cost	**1**	1
	1	1
Remeasurement of the net defined benefit liability and components of defined benefit costs recognised in other comprehensive income:		
– Loss/(return) on plan assets (excluding amounts included in net interest expense)	**3**	(3)
– Actuarial (gains) and losses arising from changes in financial assumptions	**(1)**	2
– Actuarial gains and losses arising from experience adjustments	**–**	–
	2	(1)
Total	**3**	–

The expense for the year is included in the retirement benefits costs in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2021 RMB'million	2020 RMB'million
Present value of funded defined benefit obligations	**32**	35
Fair value of plan assets	**(24)**	(30)
Net liabilities arising from defined benefit obligations	**8**	5

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2021 RMB'million	2020 RMB'million
On 1 January	**35**	37
Current service cost	**1**	1
Interest cost	**–**	1
Remeasurement gains:		
– Actuarial (gains) and losses arising from changes in financial assumptions	**(1)**	2
– Actuarial gains and losses arising from experience adjustments	**–**	–
Contributions from plan participants	**–**	–
Benefits paid from scheme assets	**(3)**	–
Transfer out	**–**	(4)
Exchange realignment	**–**	(2)
On 31 December	**32**	35

36. Provident and retirement fund schemes – continued

Hong Kong – continued

The Plan – continued

Movements in the present value of the plan assets in the current year were as follows:

	2021 RMB'million	2020 RMB'million
On 1 January	30	31
Remeasurement (loss)/gain:		
– Interest income on scheme assets	–	1
– Return on plan assets (excluding amounts included in net interest expense)	(3)	3
Contributions from the employer	1	1
Contributions from plan participants	–	–
Benefits paid from scheme assets	(3)	–
Transfer out	–	(4)
Exchange realignment	(1)	(2)
On 31 December	24	30

The major categories of plan assets at the end of the reporting year are as follows:

	2021 RMB'million	2020 RMB'million
Equities	16	15
Bonds and cash	8	15
	24	30

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual loss on plan assets was of RMB3 million (2020: gain of RMB4 million).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected rate of salary increase. No sensitivity analysis is prepared as the financial impact arising from the changes in discount rate and expected rate of salary increase is insignificant.

The management has regularly monitored the investment strategies of the plan assets and there has been no change in the process used by the management to manage its risks from prior periods.

The average duration of the benefit obligation as at 31 December 2021 is 3.9 years (2020: 4.3 years).

The Group expects to make a contribution of RMB1 million (2020: RMB1 million) to the defined benefit plan during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

The Group's contributions to the state-managed retirement benefit schemes charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2021 amounted to RMB35 million (2020: RMB19 million).

37. Disposal of a subsidiary

On 7 June 2021, Lucky Gain Limited (an indirect wholly-owned subsidiary of the Company) ("Lucky Gain") entered into (a) a capital increase agreement with Shanghai Yongye Enterprise (Group) Co., Ltd ("Yongye") and the joint venture company, Shanghai Fu Ji Properties Co., Ltd ("Fu ji"), pursuant to which Lucky Gain and Yongye have agreed to form a joint venture through Fu ji for carrying out the property development project at the lands in Huangpu District, Shanghai, the PRC (i.e. the Taipingqiao Project); and (b) shareholders' agreement with Yongye to regulate their respective rights and responsibilities in respect of the operation and management of the business and affairs of Fu ji.

After completion, Fu ji was owned as to 50% by each of Lucky Gain and Yongye, and Fu ji ceased to be a subsidiary of the Group and was not consolidated into the accounts of the Group. Information about the major assets derecognised from the Group's consolidated financial statements are disclosed in notes 13 and 18.

38. Share-based payment transactions

Share option scheme

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

As at 31 December 2021, 5,092,600 share options (2020: 8,896,000 share options) remains outstanding under the Scheme, representing 0.1% (2020: 0.1%) of the ordinary shares of the Company in issue at that date. The Scheme allows the Board of directors of the Company, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

HKD1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

The movement in the Company's share options is set out below:

		Number of options				
Date of grant	Exercise price HKD	On 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	On 31 December 2021
7 July 2015	2.092	3,425,400	–	–	(3,425,400)	–
4 July 2016	1.98	5,470,600	–	–	(378,000)	5,092,600
		8,896,000	–	–	(3,803,400)	5,092,600
Categorised as:						
Directors		874,000	–	–	–	874,000
Employees		8,022,000	–	–	(3,803,400)	4,218,600
		8,896,000	–	–	(3,803,400)	5,092,600
Number of options exercisable		7,728,000				5,092,600

38. Share-based payment transactions – continued

Share option scheme – continued

Date of grant	Exercise price HKD	Number of options On 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	On 31 December 2020
18 January 2012	2.41	4,288,962	–	–	(4,288,962)	–
7 July 2015	2.092	3,425,400	–	–	–	3,425,400
4 July 2016	1.98	5,621,800	–	–	(151,200)	5,470,600
		13,336,162	–	–	(4,440,162)	8,896,000
Categorised as:						
Directors		874,000	–	–	–	874,000
Employees		12,462,162	–	–	(4,440,162)	8,022,000
		13,336,162	–	–	(4,440,162)	8,896,000
Number of options exercisable		10,075,762				7,728,000

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

The vesting period and the exercisable period of the share options granted to eligible employees and directors on 4 July 2016 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	From date of grant to 29 June 2017	From 30 June 2017 to 3 July 2022
The second 1/5 of the grant:	From date of grant to 29 June 2018	From 30 June 2018 to 3 July 2022
The third 1/5 of the grant:	From date of grant to 29 June 2019	From 30 June 2019 to 3 July 2022
The fourth 1/5 of the grant:	From date of grant to 29 June 2020	From 30 June 2020 to 3 July 2022
The fifth 1/5 of the grant:	From date of grant to 29 June 2021	From 30 June 2021 to 3 July 2022

The vesting period and the exercisable period of the share options granted to eligible employees on 7 July 2015 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	From date of grant to 29 June 2016	From 30 June 2016 to 6 July 2021
The second 1/5 of the grant:	From date of grant to 29 June 2017	From 30 June 2017 to 6 July 2021
The third 1/5 of the grant:	From date of grant to 29 June 2018	From 30 June 2018 to 6 July 2021
The fourth 1/5 of the grant:	From date of grant to 29 June 2019	From 30 June 2019 to 6 July 2021
The fifth 1/5 of the grant:	From date of grant to 29 June 2020	From 30 June 2020 to 6 July 2021

38. Share-based payment transactions – continued

Share option scheme – continued

The vesting period and the exercisable period of the share options granted to eligible employees on 18 January 2012 are as follows:

	Vesting period	Exercisable period
The first 50% of the grant:	From date of grant to 27 June 2013	From 28 June 2013 to 17 January 2020
The second 25% of the grant:	From date of grant to 31 December 2013	From 1 January 2014 to 17 January 2020
The last 25% of the grant:	From date of grant to 31 December 2014	From 1 January 2015 to 17 January 2020

The Group has recognised the total expense of RMB53,000 (2020: RMB209,000) in the profit or loss in relation to share options granted by the Company.

During the years ended 31 December 2021 and 2020, no share options have been exercised.

Share award scheme

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

During the year ended 31 December 2015, a total of 17,149,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 42,872,500 award shares, i.e. 250% of the award shares granted during the year) and 7,705,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 19,262,500 award shares, i.e. 250% of the award shares granted during the year) of the Company have been awarded to certain connected employees (including directors of the Company and of certain subsidiaries) and employees of the Group respectively at no consideration.

The awarded shares shall vest upon condition relating to the Group's performance and the individual performance being met during the 3-year performance period. The key measures to the performance were taken with reference to the key performance indicators such as the Group's financial performance and the strategic growth.

As at 31 December 2021 and 2020, 17,710,250 shares are allocated at par and held by the trust for the share award schemes.

39. Assets classified as held for sale

On 9 July 2021, Fo Shan Rui Fang Property Development Co., Ltd., a wholly-owned subsidiary of the Company, entered into the Land Resumption Agreement No.7 with Foshan Chancheng District Land Reserve Center and Foshan Chancheng District Zumiao Sub-district Office, pursuant to which Fo Shan Rui Fang has agreed to surrender Land No.7 to Foshan Chancheng District Land Reserve Center, at a consideration by way of cash compensation of RMB1,111 million; and Fo Shan Rui Kang Tian Di Property Development Co., Ltd., a wholly-owned subsidiary of the Company, entered into the Land Resumption Agreement No.8 with Foshan Chancheng District Land Reserve Center and Foshan Chancheng District Zumiao Sub-district Office, pursuant to which Fo Shan Rui Kang Tian Di Property Development Co., Ltd. has agreed to surrender Land No.8 to Foshan Chancheng District Land Reserve Center, at a consideration by way of cash compensation of RMB1,542 million.

The Directors of the Company believe that it is highly probable that the disposal will be completed within twelve months from the date when the assets are classified as held for sale, and therefore the related assets have been classified as "assets classified as held for sale" as at 31 December 2021, in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinue Operations*.

40. Pledge of assets

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

	2021 RMB'million	2020 RMB'million
Investment properties	**33,764**	31,592
Property and equipment	**76**	112
Right-of-use assets	**6**	6
Properties under development for sale	**497**	10,522
Receivables	**90**	77
Bank deposits	**–**	1,313
	34,433	43,622

41. Commitments and contingencies

(a) Capital and other commitments

At the end of the reporting year, the Group has the following commitments:

	2021 RMB'million	2020 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	**871**	717
Development costs for properties under development held for sale	**389**	2,131
Investment in joint ventures (Note 18)	**7,739**	142
	8,999	2,990

Notes:

(i) On 7 June 2021, the Group, through an indirect wholly-owned subsidiary, is required to make capital contribution to establish a joint venture with a joint venture partner (Shanghai Yongye Enterprise (Group) Co., Ltd) to carry out the property development project at the lands in Huangpu District, Shanghai.

(ii) On 21 December 2021, the Group is required to make capital contribution to form a joint venture company with Wuhan Real Estate Group Co., Ltd. to acquire the land use rights of certain lands located in Wuchang District.

(b) Contingent liabilities

(i) The Group provided guarantees of RMB2,672 million as at 31 December 2021 (31 December 2020: RMB1,181 million) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the bank from the customers as a pledge for security to the mortgage loans granted.

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

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2021 and 31 December 2020. Should the actual outcome be different from expected, provision for losses would be recognised in the consolidated financial statements.

42. Related party transactions

Apart from the related party transactions and balances as stated in notes 17, 18, 23, 24 and 25, the Group has the following transactions with related companies during the year:

	2021 RMB'million	2020 RMB'million
Shui On Company Limited ("SOCL")(note (a)) and its subsidiaries other than those of the Group		
Rental expense	4	4
Renovation expense	2	2
Service cost reimbursement	2	4
Revenue from construction services	1	1
SOCAM Development Limited ("SOCAM")(note (b)) and its subsidiaries, being subsidiaries of SOCL		
Revenue from construction services	6	6
Great Eagle Holdings Limited (note (c)) and its subsidiaries		
Rental and building management fee income	5	5
Associates		
Revenue from construction services	178	275
Interest income	–	10
Revenue from real estate asset management service	31	32
Interest expense	33	1
Rental and building management fee expense	14	14
Joint ventures		
Revenue from project management service	124	90
Interest income	43	77
Revenue from real estate asset management service	31	12
Revenue from construction service	70	13
Rental and building management fee income	1	1
Revenue from consulting service	8	8
Service cost reimbursement	6	–
Non-controlling shareholders of subsidiaries		
Management service fee	7	8
Key management personnel		
Short-term benefits	84	84
Post-employment benefits	1	1
	85	85

Notes:
These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.
(a) SOCL, indicating Shui On Company Limited, a private limited liability company incorporated in the British Virgin Islands and its ultimate controlling party is Mr.Vincent H.S.Lo, who is also the Chairman and Executive Director of the Company.
(b) SOCAM, indicating SOCAM Development Limited, a subsidiary of SOCL, listed on the Stock Exchange.
(c) Great Eagle Holdings Limited is a company listed on the Stock Exchange. Dr. Lo Ka Shui is a substantial shareholder of Great Eagle Holdings Limited, he is an associate of Mr. Vincent H.S.Lo, who is the Chairman and Executive Director of the Company.

43. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings, senior notes and receipts under securitisation arrangements disclosed in notes 28, 31 and 35 respectively net of bank balances and cash, and equity comprising issued share capital and reserves, perpetual capital securities and non-controlling shareholders of subsidiaries.

The directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated based on dividing the net debt by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

The gearing ratios at the end of reporting dates are as follows:

	2021 **RMB'million**	2020 RMB'million
Bank borrowings	**19,747**	20,283
Senior notes	**12,116**	16,063
Receipts under securitisation arrangements	**–**	513
Pledged bank deposits	**–**	(1,313)
Bank balances and cash	**(17,284)**	(14,483)
Net debt	**14,579**	21,063
Total equity	**49,178**	46,733
Gearing ratio	**30%**	45%

44. Financial instruments

a. Categories of financial instruments

	2021 **RMB'million**	2020 RMB'million
Financial assets		
Financial assets at amortised cost	**24,612**	21,476
Financial liabilities		
Derivative financial liabilities	**240**	722
Financial liabilities at amortised cost	**41,266**	44,537
Financial liabilities at fair value through profit or loss	**175**	292

44. Financial instruments – continued

b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, loans to joint ventures, receivables and prepayments of relocation costs, amounts due from associates, amounts due from related companies, amounts due from joint ventures, loan to a non-controlling shareholder, bank balances and cash, accounts and other payable, amount due to a joint venture, loans from/amounts due to associates, amounts due to related companies, loan from/amounts due to non-controlling shareholders, bank borrowings, senior notes, lease liabilities and liability arising from a rental guarantee arrangement.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Group's revenue is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The foreign currency exposure are managed within approved policy parameters utilising currency forward contracts or currency capped forward contracts.

The Group applies hedge accounting for currency forward contracts in the consolidated financial statements. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The currency capped forward contracts are not designated for hedge purposes and are measured at fair value through profit or loss.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting year are as follows:

	2021 RMB'million	2020 RMB'million
HKD		
Assets	**527**	266
Liabilities	**3,241**	3,978
USD		
Assets	**1,809**	2,007
Liabilities	**11,840**	10,480

The Group has entered into such contracts in relation to the foreign currency denominated monetary liabilities amounting to RMB9,730 million (equivalent to USD1,130 million and HKD750 million forward contracts, and USD300 million call spread contracts respectively) (31 December 2020: RMB10,475 million (equivalent to USD1,470 million and HKD1,050 million respectively)). It is the Group's policy to negotiate the terms of the hedge derivatives, to the extent possible, to match or approximate the terms of the hedged item to maximise hedge effectiveness (see note 33 for details).

44. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to the currency of HKD and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit/a decrease in loss where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Notes	**2021** **RMB'million**	2020 RMB'million
HKD			
Profit or loss	(i)	**129**	177
USD			
Profit or loss	(ii)	**478**	403

Notes:
(i) This is mainly attributable to the exposure outstanding on bank balances and cash and bank borrowings denominated in HKD not subject to cash flow hedges at the end of the reporting year.
(ii) This is mainly attributable to the exposure outstanding on bank balances and cash, bank borrowings and senior notes denominated in USD not subject to cash flow hedges at the end of the reporting year.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank balances and restricted bank balances (note 21) and bank borrowings (note 28), at variable rates.

The Group's fair value interest rate risk relates primarily to fixed rate, loans from an associate (note 17) and senior notes (note 31).

The management aims at keeping bank borrowings at fixed rates at an appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the bank borrowings. The management adopts a policy of ensuring that bank borrowings of the Group at an appropriate portion are effectively hedged on a fixed rate basis, through the use of interest rate swaps.

Details of the Group's interest rate swaps entered into by the Group at the end of the reporting year are set out in note 33.

44. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Interest rate risk – continued

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and LPR arising from the Group's HKD, USD and RMB borrowings.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit/loss for the year would decrease/increase by RMB91 million (2020: RMB77 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings, after taking into consideration the effects of the capitalisation of interest costs.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount in relation to financial guarantee issued by the Group as disclosed in note 44.

The Group's credit risk is primarily attributable to its loans to related parties (including loan to a non-controlling shareholder, loans to joint ventures, amounts due from associates, amounts due from related companies and amounts due from joint ventures), receivables and prepayments of relocation costs, other receivables (including receivables from disposal of subsidiaries and receivables from disposal of an associate and a joint venture), contract assets, cash deposits with banks and amount in relation to the financial guarantees provided by the Group.

Receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances arising from sales of properties and arising from construction revenue based on provision matrix. The credit risk of rental receivables is minimal as the Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts.

For other receivables, the Group makes periodic individual assessment on the recoverability of other receivables, prepayments of relocation costs and deposits based on historical settlement records, experience and quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

44. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Loans to related companies

The Group has loans to related parties including loans to joint ventures, loans to a non-controlling shareholder, amounts due from associates, amounts due from related companies, and amounts due from joint ventures. The Group regularly monitors the business performance of the associates and joint ventures. The Group's credit risks in the loans to joint ventures, amounts due from associates/joint ventures/loans to a non-controlling shareholder are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The credit risk of amounts due from related companies is managed through an internal process. The Group also actively monitors the outstanding amounts owed by each debtor and uses past due information to assess whether credit risk has increased significantly since initial recognition. The Group believes that there is no significant increase in credit risk of loans to a non-controlling shareholder, loans to joint ventures, amounts due from associates, amounts due from joint ventures and amounts due from related companies since initial recognition and the Group provided impairment based on 12-month ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for loans to related companies were insignificant and thus no loss allowance was recognised.

The Group has concentration of credit risk from loans to joint ventures of RMB2,156 million (2020: RMB1,930 million), amounts due from joint ventures of RMB3,153 million (2020: RMB1,474 million), amounts due from related companies of RMB394 million (2020: RMB440 million) and amounts due from associates of RMB555 million (2020: RMB196 million).

Cash deposits with banks

Cash deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions, therefore the Group's credit risk on liquid funds is limited.

Contingent liabilities in relation to the financial guarantees

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group can retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price drop significantly, which the probability is considered remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk in relation to financial guarantees from mortgage loans is largely mitigated.

Other than concentration of credit risk on some of the loans to related parties as disclosed above, the Group does not have any other significant concentration of credit risk. Receivables consist of a large number of customers and counterparties.

44. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Receivables/ contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL -credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and financial guarantee contracts which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	**2021 Gross carrying amount RMB'million**	2020 Gross carrying amount RMB'million
Financial assets at amortised cost						
Receivables	19	N/A	Note 3	Lifetime ECL (provision matrix)	**181**	153
Amounts due from associates	17	N/A	Note 1	12-month ECL	**555**	196
Loans to/amounts due from joint ventures	18	N/A	Note 1	12-month ECL	**5,309**	3,404
Amounts due from related companies	23	N/A	Note 1	Lifetime ECL (not credit-impaired)	**394**	440
Loan to a non-controlling shareholder	25	N/A	Note 1	12-month ECL	**22**	–
Other receivables (including receivables from disposal of subsidiaries and receivables from disposal of an associate and a joint venture)	19	N/A	Note 1	Lifetime ECL (credit-impaired)	**247**	750
Prepayments of relocation costs	19	N/A	Note 1	12-month ECL	**682**	750
Pledged bank deposits	40	aaa to a	N/A	12-month ECL	**–**	1,313
Bank balances and cash	21	aaa to a	N/A	12-month ECL	**17,284**	14,483
Other items						
Contract assets	20	N/A	Note 3	Lifetime ECL (provision matrix)	**434**	305
Financial guarantee contracts (Note 2)	41(b)	N/A	Low risk	12-month ECL	**2,672**	1,431

44. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'million	Not past due/No fixed repayment term RMB'million	Total RMB'million
2021			
Amounts due from associates	–	555	555
Loans to/amounts due from joint ventures	–	5,309	5,309
Amounts due from related companies	–	394	394
Loan to a non-controlling shareholder	–	22	22
Other receivables	247	–	247
Prepayments of relocation costs	–	682	682
	247	6,962	7,209
2020			
Loans to/amounts due from associates	–	196	196
Loans to/amounts due from joint ventures	–	3,404	3,404
Amounts due from related companies	127	313	440
Other receivables	750	–	750
Prepayments of relocation costs	–	750	750
	877	4,663	5,540

2. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts. The maximum amount that the Group guaranteed under the respective contracts was RMB2,672 million as of 31 December 2021 (2020: RMB1,431 million). At the end of the reporting period, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. The directors of the Company considered that the 12-month ECL allowance is insignificant at 31 December 2020 and 31 December 2021.
3. For receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its property sales and construction operation because these customers consist of many small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for receivables and contract assets which are assessed based on provision matrix as of 31 December 2021 within lifetime ECL (not credit-impaired).

44. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

	2021 Loss rate	2020 Loss rate	Receivables and contracts assets 2021 RMB'million	Receivables and contracts assets 2020 RMB'million
Gross carrying amount				
Current (not past due)	0.1%	0.1%	493	368
1-30 days past due	1%	1%	55	32
31-60 days past due	2%	2%	17	8
61-90 days past due	4%	4%	3	6
More than 90 days past due	25%	30%	47	44
			615	458

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2021, the Group reversed RMB1 million impairment allowance for receivables, based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'million
On 1 January 2020	34
– Impairment losses recognised	7
– Impairment losses reversed	(28)
On 31 December 2020 and 1 January 2021	13
– Impairment losses reversed	(1)
On 31 December 2021	12

Changes in the loss allowance are mainly due to:

	Year ended 31 December 2021	
	Increase/(Decrease) in lifetime ECL	
	Not credit-impaired RMB'million	Credit-impaired RMB'million
Impairment losses provided/(reversed) in reporting year based on provision matrix with a gross carrying amount of RMB615 million and credit-impaired with a gross carrying amount of RMB247 million	(1)	50

	Year ended 31 December 2020	
	Increase/(Decrease) in lifetime ECL	
	Not credit-impaired RMB'million	Credit-impaired RMB'million
Impairment losses provided/(reversed) in reporting year based on provision matrix with a gross carrying amount of RMB458 million	(21)	–

44. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility using of bank borrowings and senior notes. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that are settled on a net basis, undiscounted net cash outflows are presented.

Liquidity and interest risk tables

	Weighted average effective interest rate	More than Within 1 year or on demand	More than 1 year but less than 2 years	2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount on 31 December 2021
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2021							
Non-derivative financial liabilities							
Financial liabilities included in accounts payable, deposits received and accrued charges		5,667	–	–	–	5,667	5,667
Bank borrowings	3.8%	7,055	6,908	4,845	2,641	21,449	19,747
Senior notes	5.8%	691	3,879	9,654	–	14,224	12,116
Amounts due to related companies		365	–	–	–	365	365
Amounts due to a joint venture/ associates		3,013	–	–	–	3,013	3,013
Amounts due to non-controlling shareholders		281	–	–	–	281	281
Financial guarantee contracts (note a)		2,672	–	–	–	2,672	–
Lease liabilities		28	12	24	42	106	77
Liability arising from a rental guarantee arrangement (note b)		175	–	–	–	175	175
		19,947	10,799	14,523	2,683	47,952	41,441

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount on 31 December 2020
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2020							
Non-derivative financial liabilities							
Financial liabilities included in accounts payable, deposits received and accrued charges		4,880	–	–	–	4,880	4,880
Bank borrowings	4.2%	7,696	6,977	4,783	2,777	22,233	20,283
Receipts under securitisation arrangements	6.0%	42	43	144	499	728	513
Senior notes	6.2%	7,031	564	10,750	–	18,345	16,063
Amounts due to related companies		377	–	–	–	377	377
Amounts due to a joint venture/ associates		811	–	–	–	811	811
Amounts due to non-controlling shareholders		35	–	–	–	35	35
Financial guarantee contracts (note a)		1,431	–	–	–	1,431	–
Loans from a non-controlling shareholder		1,476	–	–	–	1,476	1,476
Lease liabilities		33	13	29	51	126	99
Liability arising from a rental guarantee arrangement (note b)		175	252	–	–	427	292
		23,987	7,849	15,706	3,327	50,869	44,829

44. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables – continued

Notes:

a. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.
b. The amounts included above relate to the rental guarantee arrangement entered into by the Group in 2014 which was expired on 31 January 2022. The carrying amount at 31 December 2021 represents the estimated settlement for year 2021. For the year ended 31 December 2020, in respect of the remaining guarantee period for 2021 and beyond, the amount represents the maximum amounts the Group could be required to settle as if there was no operating income to be generated by the disposed properties.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value measurement

The fair values of the Group's financial assets and financial liabilities excluding derivative financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair values of the fixed rate interest-bearing loans from an associate (note 17) categorized within Level 3 hierarchy and senior notes (note 31) categorized within Level 2 hierarchy have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The amount of the Group's fixed rate interest-bearing loans from an associate (note 17) and senior notes (note 31) at 31 December 2021 and 2020 approximated to their fair value.

The Group's derivative financial instruments are measured at fair value at the end of the reporting period and they are grouped under Level 2 financial instruments based on the degree to which the fair value is observable.

The Group's currency forward contracts and currency capped forward contracts amounting to RMB244 million as financial liabilities (2020: RMB719 million) are measured at the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's interest rate swaps amounting to RMB4 million as financial assets (2020: financial liabilities of RMB3 million) are measured at the present value of future cash flows, estimated based on forward interest rates (from observable forward interest rates at the end of the reporting year) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

45. Notes to the consolidated statement of cash flow

a. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related companies*	Borrowings	Senior notes	Receipts under securitisation arrangement	Derivative financial instruments	Loans from/ amounts due to non-controlling shareholders**	Loans from/ amounts due to associates***	Dividends and distributions	Lease liabilities	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
	Note 23	Note 28	Note 31	Note 35	Note 33	Note 24	Note 17	Notes 11 and 32		
On 1 January 2021	13	20,283	16,063	513	–	1,502	276	–	99	38,749
Financing cash flows	–	(306)	(3,592)	(513)	(975)	(430)	2,250	(524)	(33)	(4,123)
Interest paid	–	(836)	(922)	–	–	–	(11)	–	–	(1,769)
Capital reduction by non-controlling shareholders of subsidiaries	–	–	–	–	–	626	–	–	–	626
Distributions to owners of perpetual capital securities	–	–	–	–	–	–	–	247	–	247
Foreign exchange realignment	–	(317)	(272)	–	1,013	–	–	–	–	424
Interest expenses	–	951	839	–	–	–	33	–	4	1,827
Interim dividends for 2021	–	–	–	–	–	–	–	241	–	241
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	18	–	36	–	54
Interest payable	–	(28)	–	–	–	–	–	–	–	(28)
Settle forward payable	–	–	–	–	(38)	–	–	–	–	(38)
New leases entered	–	–	–	–	–	–	–	–	7	7
Equity loans from a non-controlling shareholders of subsidiaries	–	–	–	–	–	(1,444)	–	–	–	(1,444)
On 31 December 2021	13	19,747	12,116	–	–	272	2,548	–	77	34,773

	Amounts due to related companies*	Borrowings	Senior notes	Receipts under securitisation arrangement	Derivative financial instruments	Loans from/ amounts due to non-controlling shareholders**	Loans from/ amounts due to associates***	Dividends and distributions	Lease liabilities	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
	Note 23	Note 28	Note 31	Note 35	Note 33	Note 24	Note 17	Notes 11 and 32		
On 1 January 2020	13	25,823	11,399	519	–	1,773	–	–	115	39,642
Financing cash flows	–	(6,100)	4,721	(6)	34	(242)	275	(999)	(34)	(2,351)
Distributions to owners of perpetual capital securities and convertible perpetual capital securities ("CPCS")	–	–	–	–	–	–	–	322	–	322
Foreign exchange realignment	–	(793)	(886)	–	(34)	–	–	–	–	(1,713)
Interest expenses	–	1,350	829	–	–	–	1	–	5	2,185
Final dividends for 2019	–	–	–	–	–	–	–	623	–	623
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	(29)	–	54	–	25
Interest payable	–	3	–	–	–	–	–	–	–	3
New leases entered	–	–	–	–	–	–	–	–	13	13
On 31 December 2020	13	20,283	16,063	513	–	1,502	276	–	99	38,749

* Out of the total amounts due to related companies for RMB365 million (2020: RMB377 million) as of 31 December 2021, RMB13 million (2020: RMB13 million) are liabilities arising from financing activities.

** Out of the total loans from/amounts due to non-controlling shareholders for RMB281 million (2020: RMB1,511 million) as of 31 December 2021, RMB272 million (2020: RMB1,502 million) are liabilities arising from financing activities.

*** Out of the total loans from/amounts due to associates for RMB3,000 million (2020: RMB799 million) as of 31 December 2021, RMB2,548 million (2020: RMB276 million) are liabilities arising from financing activities.

45. Notes to the consolidated statement of cash flow – continued

b. Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'million	2020 RMB'million
Within investing activities	**–**	–
Within financing activities	**(33)**	(34)

46. Statement of financial position of the company

	2021 RMB'million	2020 RMB'million
Non-current assets		
Investments in subsidiaries	**8,762**	8,312
Amount due from subsidiaries	**11,840**	11,196
	20,602	19,508
Current assets/(liabilities)		
Bank balances	**2**	2
Other payable and accrued charges	**(2)**	(2)
Income tax payable	**(12)**	–
	(12)	–
Total assets	**20,590**	19,508
Capital and reserves		
Share capital	**146**	146
Reserves (note 30)	**20,444**	19,362
Total equity	**20,590**	19,508

Note:
Details of the Company's reserves are set out below:

	Share premium RMB'million	Share award reserve RMB'million	Other reserve RMB'million	Share option reserve RMB'million	Retained profit RMB'million	Total RMB'million
On 1 January 2020	18,078	10	507	8	148	18,751
Profit and total comprehensive income for the year	–	–	–	–	1,234	1,234
Lapsed of share options (note 38)	–	–	–	(3)	3	–
2019 final dividend of HKD0.084 per share paid	–	–	–	–	(623)	(623)
On 31 December 2020 and 1 January 2021	**18,078**	**10**	**507**	**5**	**762**	**19,362**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,323**	**1,323**
Lapsed of share options (note 38)	**–**	**–**	**–**	**(2)**	**2**	**–**
2021 interim dividend of HKD0.036 per share paid	**–**	**–**	**–**	**–**	**(241)**	**(241)**
On 31 December 2021	**18,078**	**10**	**507**	**3**	**1,846**	**20,444**

47. Particulars of major subsidiaries

Particulars of the Company's major subsidiaries as at 31 December 2021 and 31 December 2020 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2021 (note a)	Attributable equity interest held 2020 (note a)	Place of operation	Principal activities
Shui On Xintiandi Limited (Cayman Islands)	Cayman Islands 27 October 2011	1,280,312 ordinary shares of USD0.001 each	100%	100%	Hong Kong	Investment Holding
Fo Shan An Ying Property Development Co., Ltd. (Note c)	PRC 8 January 2008	Registered and paid up capital RMB830,000,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd. (Note c)	PRC 25 April 2008	Registered capital RMB1,410,000,000 paid up capital RMB1,386,000,000	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd. (Note c)	PRC 21 May 2008	Registered capital RMB940,000,000 paid up capital RMB795,410,398	100%	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd. (Note c)	PRC 21 May 2008	Registered and paid up capital RMB790,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd. (Note c)	PRC 8 January 2008	Registered and paid up capital RMB900,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd. (Note c)	PRC 8 January 2008	Registered and paid up capital RMB1,130,000,000	100%	100%	PRC	Property development
Shanghai Bai-Xing Properties Co., Ltd. (Note c)	PRC 2 February 1999	Registered and paid up capital RMB146,761,000	100%	100%	PRC	Property development and property investment
Shanghai Fu-Xiang Properties Co., Ltd. (Note b)	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	PRC	Property development and property investment
Shanghai Ji-Xing Properties Co., Ltd. (Note c)	PRC 2 February 1999	Registered and paid up capital RMB69,452,000	100%	100%	PRC	Property development and property investment
Shanghai Jiu Hai Rimmer Properties Co., Ltd. (Note b)	PRC 1 November 1994	Registered and paid up capital USD30,000,000	80%	80%	PRC	Property development and property investment
Shanghai Jun Xing Property Co., Ltd (Note b)	PRC 5 March 2009	Registered and paid up capital RMB100,000,000	98%	98%	PRC	Property development
Shanghai Knowledge and Innovation Community Development Co., Ltd (Note b)	PRC 9 June 2010	Registered and paid up capital HKD1,550,000,000	50.49%	50.49%	PRC	Property development

47. Particulars of major subsidiaries – continued

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2021 (note a)	Attributable equity interest held 2020 (note a)	Place of operation	Principal activities
Shanghai Rui Chen Property Co., Ltd. (Note c)	PRC 6 May 1996	Registered and paid up capital RMB100,000,000	100%	100%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd. (Note c)	PRC 28 December 2010	Registered and paid up capital RMB3,900,000,000	100%	100%	PRC	Property development
Shanghai Xin-Tian-Di Plaza Co., Ltd. (Note c)	PRC 2 February 1999	Registered and paid up capital RMB98,261,000	100%	100%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd. (Note c)	PRC 2 February 1999	Registered and paid up capital RMB266,653,000	100%	100%	PRC	Property development and property investment
Shanghai Yang Pu Centre Development Co., Ltd. (Note b, e)	PRC 26 August 2003	Registered and paid up capital USD137,500,000	44.268%	44.268%	PRC	Property development and property investment
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of USD0.01 each	100%	100%	Hong Kong	Investment holding and and debt financing
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HKD1	100%	100%	Hong Kong	Provision of management services
Wuhan Shuion Shangqi Real Estate Management Co., Ltd (Note c)	PRC 24 July 2012	Registered and paid up capital USD14,400,000	100%	100%	PRC	Property investment
Wuhan Shui On Tiandi Property Development Co., Ltd. (Note c)	PRC 2 August 2005	Registered and paid up capital USD273,600,000	100%	100%	PRC	Property development and property investment
上海彩興房地產開發有限公司 (Shanghai Cai Xing Properties Development Co., Ltd.*) (Note b)	PRC 16 May 2014	Registered and paid up capital RMB2,600,000,000	99%	99%	PRC	Property development
上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*) (Note c)	PRC 18 January 2004	Registered and paid up capital RMB37,079,950	100%	100%	PRC	Property management
瑞安管理(上海)有限公司 (Shui On Management Limited*) (Note c)	PRC 14 June 2004	Registered and paid up capital USD58,000,000	100%	100%	PRC	Provision of management services
瑞安建築有限公司 (Shui On Construction Co., Ltd.) (Note b)	PRC 27 April 1985	Registered and paid up capital RMB100,000,000	100%	100%	PRC	Provision of construction services
上海澤辰房地產經營有限公司 (Shanghai Ze Chen Real Estate Co., Ltd.* (Note c)	PRC 1 December 2017	Registered and paid up capital RMB465,000,000	100%	100%	PRC	Property development

47. Particulars of major subsidiaries – continued

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (note a) 2021	2020	Place of operation	Principal activities
上海新灣景置業有限公司 (Shanghai Xin Wan Jing Property Co., Ltd.) (Note d)	PRC 28 March 2008	Registered and paid up capital RMB10,000,000	100%	100%	PRC	Property development and property investment
上海九澤置業有限公司 (Shanghai Jiu Ze Property Co., Ltd.*) (Note c)	PRC 29 September 2019	Registered and paid up capital RMB2,000,000,000	100%	100%	PRC	Property investment
上海蟠龙天地有限公司 (Shanghai Panlong Tiandi Co., Ltd.*) (Note d)	PRC 8 May 2017	Registered capital RMB2,300,000,000 paid up capital RMB3,350,000,000	80%	80%	PRC	Property development and property investment

Notes:
a. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
b. This Company is a sino-foreign equity joint venture.
c. This Company is a wholly foreign owned enterprise.
d. This Company is a wholly domestic owned enterprise.
e. This company is a subsidiary of Bright Power Enterprises Limited, in which the Group holds 51% (2020: 51%) of equity interests in 2021.
* For identification purposes

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

	Proportion of equity interest held by non-controlling shareholders On 31 December		Profit allocated to non-controlling shareholders Year ended 31 December		Accumulated non-controlling interests On 31 December	
	2021	2020	**2021**	2020	**2021**	2020
			RMB'million	RMB'million	**RMB'million**	RMB'million
Name of subsidiary						
Bright Power	**49%**	49%	**84**	57	**1,890**	1,109
Merry Wave	**49%**	49%	**48**	54	**1,308**	513
Individually immaterial subsidiaries with non-controlling interests	**N/A**	N/A	**206**	78	**1,995**	2,472
			338	189	**5,193**	4,094

47. Particulars of major subsidiaries – continued

Summarised financial information in respect of Bright Power is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	On 31 December	
	2021 **RMB'million**	2020 RMB'million
Current assets	**461**	260
Non-current assets	**5,794**	5,773
Current liabilities	**1,354**	1,928
Non-current liabilities	**1,940**	1,322
Equity attributable to shareholders of Bright Power	**2,435**	2,264

	Year ended 31 December	
	2021 **RMB'million**	2020 RMB'million
Revenue	**385**	325
Profit and total comprehensive income for the year	**201**	136
Dividend paid to a non-controlling shareholder of Bright Power	**–**	–
Net cash from operating activities	**255**	221
Net cash from investing activities	**30**	46
Net cash used in financing activities	**(67)**	(244)
Net cash inflow	**218**	23

Summarised financial information in respect of Merry Wave is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	On 31 December	
	2021 **RMB'million**	2020 RMB'million
Current assets	**477**	523
Non-current assets	**2,698**	2,669
Current liabilities	**920**	1,795
Non-current liabilities	**1,039**	280
Equity attributable to shareholders of Merry Wave	**1,192**	1,046

	Year ended 31 December	
	2021 **RMB'million**	2020 RMB'million
Revenue	**164**	127
Profit and total comprehensive income for the year	**99**	112
Dividend paid to a non-controlling shareholder of Merry Wave	**6**	–
Net cash from operating activities	**117**	9
Net cash (used in) from investing activities	**(68)**	26
Net cash used in financing activities	**(73)**	(488)
Net cash outflow	**(24)**	(453)

FINANCIAL SUMMARY

Summary of Consolidated Statement of Profit or Loss

for the year ended 31 December

	2017 RMB' million	2018 RMB' million	2019 RMB' million	2020 RMB' million	**2021 RMB' million**
Revenue	18,451	24,841	10,392	4,597	**17,555**
Profit / (loss) attributable to shareholders	1,669	1,906	1,932	(740)	**1,636**
Owners of perpetual capital securities	459	259	269	269	**234**
Owners of convertible perpetual capital securities	114	112	116	49	**–**
Non-controlling shareholders of subsidiaries	82	409	228	189	**338**
Profit / (loss) for the year	2,324	2,686	2,545	(233)	**2,208**

Summary of Consolidated Statement of Financial Position

as of 31 December

	2017 RMB' million	2018 RMB' million	2019 RMB' million	2020 RMB' million	**2021 RMB' million**
Investment properties	47,989	49,100	51,913	51,220	**51,311**
Property and equiptment	1,187	1,080	1,053	1,235	**1,193**
Properties under development for sale	18,112	11,927	17,855	21,247	**6,699**
Properties held for sale	8,058	5,315	973	938	**7,217**
Interests in associates	1,030	4,998	7,470	7,828	**8,038**
Interests in joint ventures	6,584	10,682	11,108	11,973	**15,472**
Receivables, deposits, and prepayments	8,734	4,464	3,432	2,775	**2,178**
Other assets	5,838	7,292	2,753	2,463	**4,504**
Pledged bank deposits, bank balances and cash	16,760	15,392	11,859	15,796	**17,284**
Total assets	114,292	110,250	108,416	115,475	**113,896**
Current liabilities	31,594	36,393	20,896	39,541	**34,149**
Non-current liabilities	33,523	26,638	38,213	29,201	**30,569**
Total liabilities	65,117	63,031	59,109	68,742	**64,718**
Net assets	49,175	47,219	49,307	46,733	**49,178**
Equity attributable to:					
Shareholders of the Company	38,282	39,047	40,076	38,577	**39,936**
Owners of convertible perpetual securities	1	–	–	–	**–**
Owners of convertible perpetual capital securities	1,345	1,345	1,345	–	**–**
Owners of perpetual capital securities	4,052	4,055	4,056	4,062	**4,049**
Non-controlling interests	5,495	2,772	3,830	4,094	**5,193**
Total equity	49,175	47,219	49,307	46,733	**49,178**

Per share data

for the year ended 31 December

	2017	2018	2019	2020	**2021**
Basic earnings / (loss) per share (RMB)	0.21	0.24	0.24	(0.092)	**0.203**
Dividend per share					
– Interim paid (HKD)	0.03	0.036	0.036	–	**0.036**
– Final proposed (HKD)	0.07	0.084	0.084	–	**0.084**
– Full year (HKD)	0.10	0.120	0.120	–	**0.120**
Bonus shares	–	–	–	–	**–**

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Vincent H. S. LO (Chairman)
Ms. Stephanie B. Y. LO
Ms. Ying WANG (Chief Executive Officer)
Mr. Douglas H. H. SUNG
(Chief Financial Officer and Chief Investment Officer)

Independent Non-executive Directors

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

Audit and Risk Committee

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

Remuneration Committee

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

Nomination Committee

Mr. Shane S. TEDJARATI (Chairman)
Professor Gary C. BIDDLE
Ms. Stephanie B. Y. LO

Sustainability Committee

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

Strategy Committee

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

Company Secretary

Mr. UY Kim Lun

Auditor

Ernst & Young
Registered Public Interest
Entity Auditor

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown

Registered Office

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Hong Kong

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

Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Stock Code

272

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