DEDICATION

INTEGRITY

INNOVATION

EXCELLENCE

瑞安房地產
SHUI ON LAND

ANNUAL REPORT 2019

SHUI ON LAND LIMITED

Incorporated in the Cayman Islands with limited liability

STOCK CODE 272

A LEADING COMMERCIAL PROPERTY FOCUSED DEVELOPER, OWNER AND ASSET MANAGER

Total landbank GFA

8.8 million sq.m.

Commercial property portfolio in Shanghai

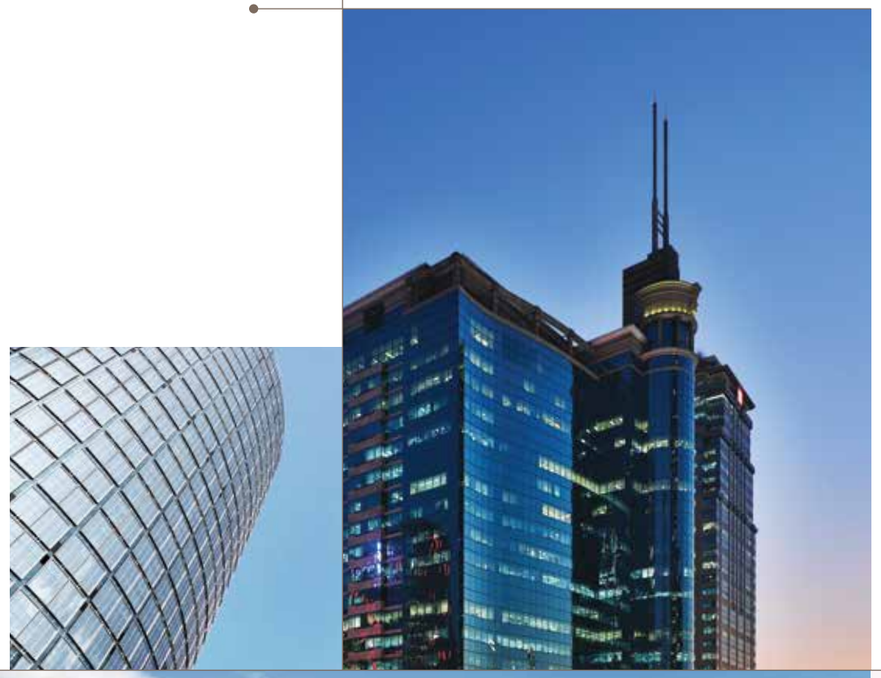
1.68 million sq.m.

Total asset value of Shanghai commercial property portfolio including properties under development

RMB76 billion

Headquartered in Shanghai, Shui On Land (Stock Code: 272) is a leading commercial property focused developer, owner and asset manager in China. It has a proven track record in developing large scale, mixed-use, sustainable communities, and is the flagship property development company of the Shui On Group. As of 31 December 2019, the Company has 11 projects in various stages of development and 2 projects under management in prime locations of major cities, with a landbank of 8.8 million sq.m. (6.7 million sq.m. of leasable and saleable GFA, and 2.1 million sq.m. of clubhouses, car parking spaces and other facilities). It is also the largest private commercial property owner and manager in Shanghai, with a total portfolio of 1.68 million sq.m. of office and retail premises, including its flagship Shanghai Xintiandi, which is currently under its management.

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



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FINANCIAL HIGHLIGHTS

Operating Results for the year ended 31 December

	2019 HKD'million	2018 HKD'million	2019 RMB'million	2018 RMB'million
Revenue	**11,805**	29,362	**10,392**	24,841
Represented by:				
Property development	**8,250**	26,272	**7,262**	22,227
Property investment	**2,664**	2,496	**2,345**	2,112
Construction	**611**	350	**538**	296
Others	**280**	244	**247**	206
Gross profit	**6,035**	8,445	**5,313**	7,145
Increase in fair value of investment properties	**291**	1,147	**256**	970
Profit attributable to shareholders of the Company	**2,195**	2,253	**1,932**	1,906
Core earnings of the Group	**2,639**	3,617	**2,323**	3,060
Basic earnings per share	**HKD27.3 cents**	HKD28.0 cents	**RMB24.0 cents**	RMB23.7 cents
Dividend per share				
Interim paid	**HKD0.036**	HKD0.036	**HKD0.036**	HKD0.036
Proposed final	**HKD0.084**	HKD0.084	**HKD0.084**	HKD0.084
Full year	**HKD0.12**	HKD0.12	**HKD0.12**	HKD0.12

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 HKD1.136 for 2019 and RMB1.000 to HKD1.182 for 2018 being the average exchange rates that prevailed during the respective years.

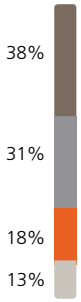
Financial Position as of 31 December

	2019 RMB'million	2018 RMB'million
Total cash and bank deposits	**11,859**	15,392
Total assets	**108,416**	110,250
Total equity	**49,307**	47,219
Total debt	**37,741**	34,269
Bank borrowings	**25,823**	26,321
Senior notes	**11,399**	7,424
Receipts under securitisation arrangements	**519**	524
Net gearing ratio*	**52%**	40%

* 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 2019

	million sq.m.
Residential	1.9
Office	2.4
Retail	2.2
Hotel/ Serviced Apartments	0.2
Total Leasable and Saleable GFA	6.7
Attributable GFA	4.3



	million sq.m.
Shanghai	2.5
Wuhan	2.1
Chongqing	1.2
Foshan	0.9
Total Leasable and Saleable GFA	6.7
Attributable GFA	4.3

Contracted Property Sales & Other Asset Disposal

(RMB'million)

2019	12,501
2018	22,279

Revenue

(RMB'million)

2019	10,392
2018	24,841

Rental and Related Income*

(RMB'million)

2019	2,573
2018	2,200

Gross Profit

(RMB'million)

2019	5,313
2018	7,145

Gross Profit Margin

%

2019	51
2018	29

Profit Attributable to Shareholders of the Company

(RMB'million)

2019	1,932
2018	1,906

Basic Earnings per Share

(RMB'cent/share)

2019	24.0
2018	23.7

Shareholders' Equity per Share

(RMB/share)

2019	4.97
2018	4.84

Dividend per Share

(HKD/share)

2019 Final	0.084
2018 Final	0.084

Total Assets

(RMB'million)

2019	108,416
2018	110,250

Net Gearing Ratio

%

2019	52
2018	40

Total Cash and Bank Deposits

(RMB'million)

2019	11,859
2018	15,392

* Including Rental Income from Rui Hong Xin Cheng Commercial Partnership Portfolio and Shanghai Taipingqiao 5 Corporate Avenue, in which, the Group has 49.5% and 44.55% effective interest, respectively.

CHAIRMAN'S STATEMENT

VINCENT H.S. LO
Chairman

"The Group's successful land acquisitions during the year demonstrate our strength and significant advantage in accessing new projects and attracting strong partners."

Dear Shareholders,

2019 was a year of challenges, characterised by global geopolitical tensions and economic volatility. Notwithstanding a difficult macro environment, I am heartened that we were able to leverage the Group's capabilities to report a stable financial and operational performance. With our "Asset Light Strategy" as the cornerstone of the Group's growth efforts, we forged ahead steadily on our game plan and expanded our landbank as opportunities came our way. The Group's successful land acquisitions during the year demonstrate our strength and significant advantage in accessing new projects and attracting strong partners, which is also reflective of Shui On Land's well-recognised expertise and track record in urban renewal, the preservation of cultural heritage and in creating vibrant master-planned communities.

Financial Highlights

Group revenue totalled RMB10,392 million in 2019. Profit attributable to shareholders increased by 1% Y/Y to RMB1,932 million, from RMB1,906 million.

A final dividend of HKD0.084 per share was declared, which together with the interim dividend of HKD0.036 per share brings the total dividend for the year to HKD0.12 per share.

The Group's net gearing ratio was 52% as at 31 December 2019, as compared with 44% as at 30 June 2019. Cash and bank deposits were RMB11,859 million.

Asset Light Strategy Fuelling Growth

Amidst an increasingly competitive environment, cities are seeking to continually adapt and evolve so as to maintain their competitive edge. We are honoured to be a frequent and preferred partner of governments looking to refresh and regenerate their cities.

Shanghai is the core of our business. Amidst the ongoing trade tensions, Shanghai will invariably play a pivotal role for China and the rest of the world. We have decided to fortify our presence in Shanghai, replenishing our landbank in 2019 via two successful land parcel bids. The first land parcel sits in the residential part of the Panlong Urban Village Redevelopment Project in Qingpu District, known as the western "gateway" into Shanghai, and is located just one stop from the National Exhibition and Convention Centre. This is a sizable residential project with an element of historic conservation village houses and we are coming up with a new urban regeneration model to create here a further evolution of the much sought-after "Xintiandi" model. The second project is located at Hong Shou Fang, situated within the inner ring road and near the vibrant and prosperous commercial belt of Putuo District. This is similarly an urban renewal project, being planned for development into Grade-A office buildings complemented by a "Xintiandi" styled retail block. Securing these projects is an endorsement of our expertise in master planning as well as urban preservation and regeneration.

"We take a human-centric, sustainable approach to the communities we create."

With decades of experience in creating master-planned communities, we are today focused on the commercial property sector, an area in which Shui On Land has considerable strengths in. Concurrently, the Group will continue to develop residential property targeting the premium market segment. Operationally, our Asset Light Strategy facilitates the Group's collaboration with strategic partners on such projects and our track record enables the Group to attract partners of the highest quality. I am pleased to update that construction has started for Tai Ping Yang Xintiandi, a landmark development project we won in July 2018 in a consortium partnership with China Pacific Life Insurance Co., Ltd. and Shanghai YongYe Enterprise. With completion expected in phases from 2022, this new development is poised to boost the prime office space in the Shanghai Xintiandi area by approximately 192,000 sq.m. as well as approximately 88,000 sq.m. of retail space. During the year, our joint investment platform, Shui On Land Core-Plus Office Venture, completed its first acquisition, namely 5 Corporate Avenue, a premier Grade-A office complex also located in the Xintiandi area.

Steady Progress in Investment Properties and Residential Sales

Our portfolio of premium commercial properties, as well as our sale of residential property developments, has provided us with a strong cash flow. Underpinned by our unique ability to shape social destinations and integrated work-live-play-learn spaces, both business segments have performed well in 2019.

The XINTIANDI brand now covers our full range of retail assets. We added to the brand during the year with the opening of XINTIANDI PLAZA in Shanghai and the North Hall of Wuhan Tiandi HORIZON. We are now working on the strategic upgrade of the South Block of Shanghai Xintiandi. It will be renamed "Xintiandi Style I" and is scheduled to complete in the fourth quarter of 2020. The launch will reinforce the positioning of XINTIANDI as a social & cultural destination.

We met the 2019 residential sales targets, underpinned by positive demand for the new developments launched in Shanghai, Wuhan and Foshan. Accumulated residential contracted property sales amounted to RMB12,183 million for the year. Of note was the launch of Rui Hong Xin Cheng The Parkview in Shanghai during December 2019, which achieved total sales of more than RMB6.3 billion on its first day of launch, making it the highest single-day sale recorded for Shanghai's Inner Ring during the year.

Building Sustainability

Our sustainability mission ensures that we take a human-centric, sustainable approach to the communities we create. In 2019 we received further international recognition in this regard when Shanghai Xintiandi Community received WELL Community Certification, a global first that adds to earlier accreditations such as LEED (Leadership in Energy and Environmental Design) and those of the Urban Land Institute.

By the end of last year, we had 1.62 million sq.m. of green certified commercial buildings under our portfolio and in November, we issued our first "Green Bond". The USD300 million senior notes will fund projects that promote sustainable development. The issuance underscores our commitment to building dynamic communities based on a sustainable development philosophy that incorporates the concepts of "greenness" and well-being into all aspects of the project, including strategic planning, product development and daily operation and management.

"We will maintain our prudent approach to the business, guided by our Asset Light Strategy."

Outlook

Looking ahead, 2020 is set to be another challenging year given the ongoing geopolitical uncertainties, prevailing economic risks and the COVID-19 global outbreak. While China and US have reached a milestone "phase one" trade deal, we expect the trade tensions to continue, and will add to uncertainties as tariffs and sanctions reconfigure global production and supply chains.

The outbreak of COVID-19 will inevitably have an impact on global economic activity and market performances. We are heartened to see the tremendous progress made by China in containing the spread of COVID-19, though business activities and consumption will take time to recover, and improvements to the overall economic environment remain to be seen.

Given such uncertainties, COVID-19 will likely have a noted impact to our performance in 2020, underscored by the rental concessions and subsidies offered to our tenants; and delays in some construction schedules and anticipated pre-sales timing. In particular, we remain watchful on the Group's two ongoing projects in Wuhan. We will monitor closely our operations, when the property market will return to normal and how sales and purchase sentiment will be impacted.

Against this backdrop, Shui On will continue to maintain a prudent positioning, guided by our Asset Light Strategy. We adopt a cautious and disciplined approach towards making new investments, with a view on ensuring that our gearing, currently at 52%, and cashflow remains at a sustainable level. We have set very strict criteria for our investment returns and will continue to work with compatible partners. This may include working with domestic developers on residential developments, leveraging our respective strengths. For the retail and commercial properties, we will strive to ensure that our assets maintain their lead in the changing environment through asset enhancements that are relevant to today's consumers and businesses.

Finally, I wish to extend sincere appreciations to my fellow Board members and business partners for their support throughout the year. I also thank our dedicated management and staff for their hard work and determination to overcome the challenges faced. Despite the uncertainties and complexities that lie ahead, the Group's transformation is well underway, which is well-supported by a firm business foundation from which we can forge ahead.

VINCENT H. S. LO
Chairman
Hong Kong, 30 March 2020

DIALOGUES WITH MANAGING DIRECTORS

Jessica Y. WANG
Managing Director
– Project Development &
Asset Management
Shui On Management Limited

Stephanie B. Y. LO
Managing Director
– Corporate Development
Shui On Management Limited

Douglas H. H. SUNG
Managing Director
Chief Financial Officer
Chief Investment Officer
Shui On Land Limited

STEPHANIE B. Y. LO

Q What's the roadmap for the Group's strategic transformation into a leading commercial property focused developer, owner and asset manager? What strengths and expertise are helping the Group to succeed?

A We aim to be China's leading commercial property focused developer, owner and asset manager, while maintaining a balanced profit contribution from commercial and residential property businesses. Over the medium term, we target to derive approximately 50% of our profit from recurrent income streams and 50% from residential sales.

The catalyst for this transformation is our expertise in commercial property development and asset management. We believe Shui On Land's long-established successful experiences in this area will be the key driver of our future growth, and an important asset to build a more balanced profit profile. We are the largest private commercial property owner and manager in Shanghai, with a total portfolio under management of 1.68 million sq.m. of office and retail premises, including our flagship Shanghai Xintiandi. Over the past few years, the portfolio has generated a double digit increase in recurrent rental income. We will continue to introduce new innovative products and services to enhance asset value. For example, after launching the revamped XINTIANDI PLAZA in May 2019, other asset enhancement initiatives are planned, including Xintiandi Style I. Over the coming years, we will continue to develop our iTiandi platform to deliver better customer services and unique experiences to our entire retail, office and residential community.

Q What future trends in real estate development do you envisage and how will these be integrated into the Group's strategy?

A There is currently a strong global focus on sustainable development and climate change. This trend is something businesses cannot ignore, and we all must play our part. Shui On Land's aim is to be a leader in sustainable property development in China. Our sustainable business model balances financial profitability with sustainability, and our social and environmental impact. We have developed sustainable communities across key cities in China, and we continue to innovate to ensure we are systematically tracking our social and environmental impact. We are adopting new planning and design standards to enable us to build the communities and buildings of the future. In 2020, we will introduce a new 10-year, "5C" sustainability strategy which focuses on five key elements: namely Clean, Culture, Community, Care and Corporate Governance.

The digitally savvy younger generation of consumers are changing how people live, work, play and learn. The social needs of consumers, while evolving, are ever present in our approach. With our strong track record in developing social and cultural destinations, such as Xintiandi, we are developing our digital strategy to create an O2O community: iTiandi, which will encompass all our members and communities and will deliver unique services and offerings online. We are also actively developing a new retail strategy that revolve around social omni-channel experiences in order to engage our customers in new ways. Our office projects have also adopted a "social" strategy that incorporates flexible, social and modular office space for our tenants that meet new business requirements that are arising.

DOUGLAS H. H. SUNG

Q The global financial markets look increasingly volatile. From a financial viewpoint, how is the Group positioned to not only weather the uncertain outlook, but also to be able to capitalise on potential opportunities? Balancing growth with a prudent financial position seems a challenging task. How do you manage it?

A Four years ago, faced with a complex global economic environment and an increasingly competitive property market in China, we began the implementation of our Asset Light Strategy, with the aim of strengthening up our balance sheet and improve our overall financial efficiency. During the initial stage of this strategy, we completed the restructuring of various assets and divested some investments, thereby enabling us to reduce our leverage to a more sustainable level. Today, our financial position is much stronger, with a net gearing of 52% as at the end of 2019, compared to 81% at the end of 2015. Our solid financials will enable us to capture new opportunities should they arise during an economic downturn. Despite global market volatility and slowing growth in mainland China, our prudent, value-driven approach ensures we continue to generate stable, long-term value for shareholders.

Q Can you explain how the Group is diversifying its sources of funding and using partnerships and investment vehicles to reduce risk in investments and broaden the portfolio, while maintaining a steady pipeline of projects?

Strategic partnerships and new investment vehicles are key components of our Asset Light Strategy. In the past four years, we have leveraged on Shui On Land's strong brand name and established track record to form several important strategic partnerships with major institutions, such as CPIC, China Life Group, Manulife and CITIC. These partnerships have enabled us to participate in sizeable new projects with lower capital and reduced financial risk.

For example, we formed a core-plus office investment platform in 2018 with Manulife Investors and China Life Trustees Limited, where Shui On Land is the investment manager and asset manager. The platform acquired 5 Corporate Avenue in Taipingqiao in June 2019, enabling us to further expand our office portfolio in Shanghai. Such partnerships and investment platforms will help Shui On Land to increase our market share and influence in the commercial property sector, and, at the same time, provide a growing fee income base. These elements are important as we continue to transit into a leading commercial real estate developer and manager.

JESSICA Y. WANG

Q The Group won two parcels of land in Shanghai in 2019. Looking ahead, how does the Group intend to grow its landbank? Urban regeneration seems to be a growing trend. Will it be a focus of the Group's land acquisition strategy?

A While the current global economic situation remains uncertain, we are optimistic about China's long-term potential. We will evaluate each suitable opportunity with a positive mindset. Our near-term focus is on Shanghai, Yangtze River Delta and the Greater Bay Area, given the important economic and financial positions of these regions.

Urban renewal is increasingly important in the development of the downtown areas of China's first-tier cities. The government has identified renewal as a preferred approach in optimising the limited land resources in urban areas and promoting sustainable developments. In this regard, Shui On Land is uniquely positioned to capture such opportunities given our excellent reputation for carrying out world-class urban renewal projects, such as Shanghai Xintiandi and Foshan Lingnan Tiandi. We are especially optimistic about such opportunities in Shanghai due to the scarcity of new development sites in the city.

Q Does the slowdown in economic growth rate make property sales more challenging? Can you share with us Shui On Land's sales plan for the coming year?

A Despite slowing economic growth in China, the Group continues to enjoy significant advantages in its residential property business thanks to our famous brand and reputation for high-quality projects, as well as our people-oriented approach, high service levels, and insights into customers' needs. At the same time, the government is selectively relaxing some of the restrictions on the property market to spur activity, while tempering property price increases. We think these relaxations will help to boost buyer sentiment.

We experienced strong demand for our developments in 2019 and were able to meet our residential sales targets. In 2020, we expect to launch several sought-after residential projects, including Shanghai Rui Hong Xin Cheng The Parkview (Lot 1), Lakeville Phase 5 (Lot 118), Wuhan Tiandi La Riva II (Lot B10) and Foshan Lingnan Tiandi The Masterpiece (Lot 13a). However, the exact launch dates will depend on market conditions, particularly in light of the recent COVID-19 outbreak. In this regard, the Group is making every effort to maintain a stable business environment. In the coming years, we will ensure a strong residential pipeline in Shanghai by replenishing our residential landbank through the acquisition of the Panlong Tiandi Project in Qingpu District.

KEY ACHIEVEMENTS IN 2019

Land Replenishment in Shanghai

- Acquired four residential sites of **Panlong Tiandi in Qingpu District, Shanghai**. Panlong Tiandi is an **urban village redevelopment project** comprising a sizeable residential area of 176,000 sq.m. planned for develpoment as well as unique conservation village houses that were part of a historic water town.
- Acquired **Hong Shou Fang urban renewal project in Putuo District, Shanghai** and it will be developed as Grade-A office buildings with a Xintiandi-style retail block.

Shui On Land exceeded its residential sales target in 2019, with accumulated residential contracted property sales amounting to

RMB12,183 million

The Shui On Land Core-Plus Office Venture ("SCOV")

A real estate investment platform founded by Shui On Land Limited, Manulife Investors and China Life Trustees Limited, completed its first acquisition – **5 Corporate Avenue ("CA5")**, a premier Grade-A office complex located in the Xintiandi area in Shanghai.

Solid Development Progress of the Major Commercial Complex

- Ground breaking of the Tai Ping Yang Xintiandi Project
- Topping up of Rui Hong Tiandi Hall of the Sun
- Grand opening of XINTIANDI PLAZA
- Grand opening of North Hall of Wuhan Tiandi HORIZON

KEY AWARDS IN 2019

Knowledge and Innovation Community ("KIC")

2019 ULI Global & Asia Pacific Awards for Excellence

Foshan Lingnan Tiandi ("FSLNTD")

2019 ULI Global & Asia Pacific Awards for Excellence

Shanghai Xintiandi Community

WELL Community Certification

A global first "WELL Community"

Outstanding Listed Company Award 2019 by am730 & PR ASIA

Hong Kong Sustainability Award 2018/19 Certificate of Excellence in Large Organisation Category organised by Hong Kong Management Association

Best Investor Relations Company by Corporate Governance Asia 9th Asian Excellence Award 2019

Quam IR Awards 2018 The Most Remarkable Investor Relations Recognition by Quam IR

China Real Estate Enterprise Awards 2019 organised by The Preparatory Committee of High-quality China Real Estate Enterprise Award

Certificate of Excellence-ESG Leading Enterprises 2019 by Bloomberg ESG Award

Platinum Award – Excellence in Environmental, Social and Governance by The Asset ESG Corporate Awards 2019

Rated A in HKQAA (HIS ESG) Rating System in 2019

Rated BBB in MSCI ESG Rating System in 2019

WE CREATE SOCIAL & CULTURAL DESTINATIONS

THE XINTIANDI BRAND

XINTIANDI is a new social and cultural destination where people meet, grow and engage.

New Brands

Providing widened choices of international and local shopping and dining experiences, Xintiandi is now home to many brands launching their first stores in Mainland China, including New York burger chain Shake Shack, PS Café from Singapore, and French design brand Maison Kitsuné.

Total of over

2,000 shops

- 57 First-in-China Stores
- 78 First-in-City Stores
- 31 Flagship Stores

Smart Retail

Through iTiandi, we offer customers a high-quality smart retail platform, which uses big data analysis to provide customised services and exciting membership benefits. Linked to high-quality resources from different industries, we are creating a new membership ecosystem integrating social, culture and experience-related elements.

- iTiandi Membership

  base up 46% to

  1.72 million members

- Members' sales up 152%

A Cultural Destination

Xintiandi is fast establishing itself as a cultural destination through connecting creative communities and orchestrating cultural content. Shanghai Fashion Week, Xintiandi Design Week, Tiandi World Music Festival and LUMIÈRES SHANGHAI are some of the cultural events we have hosted to enrich the lives of our customers and to promote created in China.

- Shoppers' traffic up
  18%
- Retail Sales up
  16%
- Total customer flow reached
  1.5 billion
- Organised
  1,100+ events

Making natural clothing for natural people is our mission.It's an exciting new brand concept incorporating Oriental aesthetics and traditional culture.

BAN XIAOXUE

Fashion Designer and Tenant from Xintiandi Style

Social Experiences

We are constantly developing new social products to meet the tastes of the younger generation. Our Foodie Social offers a multi-disciplinary space that celebrates food culture, while Design Social offers an ecosystem supporting the Chinese fashion industry. Meanwhile, our Social House brings new culinary, entertainment, arts and fashion experiences to our customers.

PROJECT PROFILES

SHANGHAI

Panlong Tiandi Project

Site location: The Panlong Tiandi project comprises four residential sites totaling a combined GFA of 176,000 sq.m. and is situated in Shanghai's Qingpu District, which is part of the Hongqiao CBD. The project is situated next to Panlong Station (in operation) 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 late 2019 with the Group holding an 80% effective interest.

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 of Shanghai. The site is directly linked to Changshou Road Station, the interchange station of Metro Lines 7 & 13.

The project has a total GFA of 85,000 sq.m., comprising 63,000 sq.m. of aboveground area and 22,000 sq.m. of underground area. The Group plans to develop the site into a commercial complex with 48,000 sq.m. of Grade-A office and 15,000 sq.m. into "Tiandi street-style" entertainment, restaurants and retail area through the restoration of the historic buildings. The site is cleared for immediate construction. The Group holds a 100% effective interest in this project.

Taipingqiao Project

Site location: The Taipingqiao project has a total GFA of 1.3 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 and 10, 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 section 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, located south of Shanghai Xintiandi, is a fashion themed shopping mall. Shui On Plaza is an office tower with retail podium. An asset enhancement initiative ("AEI") program of XINTIANDI PLAZA was completed in 2018. The grand opening was held in May 2019.

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 at 31 December 2019. Lakeville Phase 5 (Lot 118), which has a total GFA of 79,000 sq.m., commenced construction in 2018 with pre-sales planned from 2020.

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. The building was completed 2013. The Group holds an effective interest of 44.55%.

Lots 123, 124 and 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 a street style all-weather shopping and leisure/entertainment area for a total GFA of 88,000 sq.m.. Ground breaking of the development was held in September 2019. The Group holds an effective interest of 25%. The remaining Lots 119, 120 and 122 have yet to commence relocation.

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. RHXC is 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 757,000 sq.m., which were completed in seven phases from 1998 to 2019.

With a total GFA of 110,000 sq.m., Parkview (Lot 1) (Phase 8) is currently under construction while the relocation for Lot 7, which has a total GFA of 161,000 sq.m., was completed in 2019. Construction was commenced in the second half of 2019. The Group holds a 49.5% effective interest in Lots 1 & 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 new-concept brands. Hall of the Stars (Ruihong Tiandi Lot 6) with a total leasable GFA of 19,000 sq.m. commenced operations in 2015. Hall of the Sun (Ruihong Tiandi Lot 10), which has a total leasable GFA of 330,000 sq.m., is currently under construction for development into a commercial complex comprising two Grad-A office buildings and a shopping mall. The Group holds a 49.5% effective interest of the properties.

Lot 167 has a developable leasable and saleable GFA of approximately 205,000 sq.m.. Relocation work started in August 2017 and as at 31 December 2019, a 99.2% of the residents have signed relocation agreements. The Group has a 49% effective interest in Lot 167.

THE HUB

Site location: THE HUB has a total GFA of 308,000 sq.m. and is ideally 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 the 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 93,000 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 151,000 sq.m. including THE HUB MALL, XINTIANDI, and the office retail space. The tenants started operation in the second half of 2015. THE HUB 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.

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 498,000 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 249,000 sq.m. developed by the Group is held for investment. The occupancy rate at KIC continues to be high, with established technology, service and design companies, such as DELLEMC, EBAO, VMware, Splunk, Deloitte, AECOM and SUNMI as tenants. University Avenue is a vibrant part of KIC. The road mainly offers a wide selection of gourmet cuisines, coffee shops, book stores, galleries and creative retail stores. The Group has a 44.27% effective interest in all the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 50.49%.

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 INNO Office, our new 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 INNO +. 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 A 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 2,0113.7 sq.m., including 18,941.8 sq.m. office area and 1,171.9 sq.m. retail area. The tenant's presence enhanced overall occupancy rate to 62%. 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.

NANJING

INNO Zhujiang Lu & Bai Zi Ting

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

These asset management initiatives include Nanjing INNO Zhujiang Lu, which is the first asset light project of the Group applying the INNO office concept. Nanjing INNO Zhujiang Lu has a total GFA of 16,000 sq.m., under a long-term lease contract with a third party landlord. The property 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 2020.

WUHAN

Wuhan Tiandi

Site location: The Wuhan Tiandi project has a total GFA of 1.57 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-scale, 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 Wuhan Tiandi HORIZON(Lots A1/A2/A3), which has a total GFA of 120,000 sq.m., commenced operations in September 2016 while North Hall of Wuhan Tiandi HORIZON (Lot B4 Retail), which has a total GFA of 72,000 sq.m., held a grand opening in November 2019.

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 is planned for completion 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. La Riva II Lot 10, which has a total residential GFA of 114,000 sq.m., is under construction.

Wuhan Optics Valley Innovation Tiandi

Site location: The Wuhan Optics Valley, which has a total of 1.28 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 a 50% effective interest in the project.

Construction work of the first phase residential with a total GFA of 122,000 sq.m. started in early 2018 and presales commenced in phases since late 2018. The Group is progressively developing the site in multi-phases.

FOSHAN

Foshan Lingnan Tiandi

Site location: The Foshan Lingnan Tiandi project is strategically located in the old town centre of central Chancheng District, 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 2015, running from Xilang Station to Lijiao Station and passing through the Zhujiang River. The Foshan Lingnan Tiandi project has a total GFA of 1.5 million sq.m..

The project is a large-scale 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 being located within its premises. This includes the centre piece 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 section of terrace restaurants and retail options. 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 to buyers residential units amounting to a total GFA of approximately 338,000 sq.m..

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

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 section of terrace restaurants and retail options.

Chongqing 1-2, 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. This retail space provides 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.

BUSINESS REVIEW

- **Stable profit underpinned by strong rental income growth:** Revenue of the Group totalled RMB10,392 million in 2019. Profit attributable to shareholders increased by 1% Y/ Y to RMB1,932 million, from RMB1,906 million. The stable profitability was underpinned by rental and related income growth of 12% to RMB2,251 million in 2019. Total rental and related income, including the properties held by joint ventures and associates, increased by 17% to RMB2,573 million in 2019. A final dividend of HKD0.084 per share was declared, which together with the interim dividend of HKD0.036 per share brings the total dividend for the year to HKD0.12 per share.

- **Increasing strategic focus on Shanghai:** With an increased strategic emphasis on commercial real estate, the Group is also deploying more resources in Shanghai, a market in which Shui On Land ("SOL") enjoys a well-established brand name. In 2019, the Group completed several major acquisitions in Shanghai, which includes: 5 Corporate Avenue ("5 CA") by the SOL managed Core-Plus Office Investment Venture ("SCOV"); Hong Shou Fang project, a commercial site in Putuo District near Nanjing West Road, and Panlong Tiandi project which comprises four residential sites in Qingpu District. In September 2019, we also held a ground-breaking ceremony for a major commercial complex – Tai Ping Yang Xintiandi in Shanghai (also known as "Taipingqiao Lots 123,124 &132").

- **Solid balance sheet to weather macroeconomic headwinds:** Net gearing ratio remained at a healthy 52% as of 31 December 2019, an increase of 12 percentage points compared to 2018, which was mainly due to two new land acquisitions in October and November 2019. Cash and bank deposits held by the Group was RMB11,859 million as of 31 December 2019. The strong financials should enable the Group to better withstand the volatile macroeconomic conditions in the Group's near future, particularly in light of uncertainties arising from a global COVID-19 outbreak.

- **Issuance of first Green Bond:** The Group successfully issued its inaugural Green Bond due November 2023 @5.75%, with an aggregate principal amount of USD300 million. The Group appointed Sustainalytics as an independent third party to audit the Group's Green Finance Framework in accordance to the International Capital Markets Association (ICMA) Green Bond Principles 2018. The proceeds from the issuance of the Green Bond will be used exclusively for the financing or the refinancing, in whole or in part, of projects funded by SOL that promote sustainable development in the real estate industry.

Shui On Land is a leading commercial property focused developer, owner and asset manager in China, anchored by a strong asset base in Shanghai. As one of the preferred real estate operating partners for financial institutions, we believe in the creation of long-term value through the design, development and management of unique office and retail products. Our "Asset Light Strategy" which enables us to greatly enhance our financial strength, diversify our capital base and invest in new opportunities, will greatly facilitate this strategic transformation. The Group enjoys a well established reputation in Shanghai and will continue to leverage on our brand name to further our presence in the city. The successful execution of our Asset Light Strategy was instrumental in enabling the Group's acquisition of several major development sites in Shanghai during 2019.

KEY ACHIEVEMENTS IN 2019

- Acquisition of two new land/ projects in Shanghai in late October and early November 2019 for a total consideration of RMB5.7 billion, comprising:

  – Four residential sites in Qingpu District, with a total GFA of 176,000 sq.m. which will provide new residential sales resources from 2021. The four sites are slated for development into a new residential project – Shanghai Panlong Tiandi.

  – A commercial site in Putuo District with a total GFA of 63,000 sq.m., which is poised to enhance the Group's presence in the Shanghai commercial market. The project has been named Shanghai Hong Shou Fang.

- Acquisition of 21.894% interest in China Xintiandi Holding Company Limited ("CXTD") from Brookfield was completed on 15 March 2019. CXTD is now a wholly-owned subsidiary of the Company.

- Acquisition of 5 Corporate Avenue ("5 CA") by Shui On Land managed Core-Plus Office Investment Venture ("SCOV") was completed on 20 June 2019.

- Ground breaking of Shanghai Taipingqiao Lots 123, 124 &132 was held in September 2019.

- Topping up of the construction of Shanghai Rui Hong Tiandi Hall of the Sun was held in June 2019.

- Grand opening of Shanghai XINTIANDI PLAZA post-completion of its asset enhancement initiative ("AEI"), which has an occupancy rate of 94% as at 31 December 2019, was held in May 2019.

- Grand opening of North Hall of Wuhan Tiandi HORIZON, which has an occupancy rate of 97% as at 31 December 2019, was held in November 2019.

- 2019 Contracted Sales were RMB12.5 billion. This includes the launch of Shanghai Rui Hong Xin Cheng Parkview (Lot 1) for pre-sale in late December 2019, which recorded approximately RMB4.1 billion of contracted sales in 2019. The remaining RMB2.6 billion of subscribed sales as of 31 December 2019, is expected to be subsequently turned into contracted property sales in the following months. Parkview (Lot 1) recorded the highest first launch sales amount in Shanghai during the year.

A LEADING MARKET PLAYER IN SHANGHAI COMMERCIAL REAL ESTATE

The Group currently holds and manages a total GFA of 1.68 million sq.m. of retail and office space in Shanghai (the "Shanghai Portfolio"), in which 52% of the GFA was completed for rental income and the remaining is under development. Our existing office and retail portfolio is amongst one of the largest in Shanghai. As of 31 December 2019, the total asset value of the Shanghai Portfolio was approximately RMB76 billion. After the completion of the acquisition of Brookfield's interest in CXTD and 5 CA in 1H 2019 and the acquisition of a parcel of land in Shanghai Hong Shou Fang in 2H 2019, the Group's effective interest in the portfolio increased to 58% as of 31 December 2019, from 47% in 2018. Total asset value attributable to the Group was approximately RMB44 billion.

The table below summarises the development status, asset value and ownership of the Group in the portfolio as of 31 December 2019.

Project	Office GFA sq.m.	Retail GFA sq.m.	Total GFA sq.m.	Attributable GFA sq.m.	Asset Value as of 31 December 2019 RMB'billion	% of ownership
COMPLETED PROPERTIES						
Shanghai Xintiandi, Xintiandi Style, XINTIANDI PLAZA, Shui On Plaza	36,000	89,000	125,000	113,100	11.50	100%/ 99%/ 80%/ 80%
THE HUB	93,000	170,000	263,000	263,000	8.97	100%
Rui Hong Tiandi	–	111,000	111,000	55,000	3.98	49.5%
KIC	186,000	63,000	249,000	115,500	8.44	44.27%/ 50.49%
INNO KIC	41,000	4,000	45,000	45,000	1.43	100%
5 Corporate Avenue	52,000	27,000	79,000	35,200	6.62	44.55%
SUBTOTAL	**408,000**	**464,000**	**872,000**	**626,800**	**40.94**	
LAND & UNDER DEVELOPMENT PROPERTIES						
Shanghai Taipingqiao						
XTD South Block AEI	–	15,000	15,000	15,000	1.04	100%
Lots 123, 124 &132	192,000	88,000	280,000	70,000	17.82	25%
Shanghai RHXC						
Lot 167 B	107,000	12,000	119,000	58,300	6.24	49%
Hall of the Sun	147,000	183,000	330,000	163,400	8.12	49.5%
Shanghai Hong Shou Fang	48,000	15,000	63,000	63,000	1.87	100%
SUBTOTAL	**494,000**	**313,000**	**807,000**	**369,700**	**35.09**	
GRAND TOTAL	**902,000**	**777,000**	**1,679,000**	**996,500**	**76.03**	

INVESTMENT PROPERTY PERFORMANCE

Rental and Related Income, Occupancy Rate of the Investment Properties

The table below provides an analysis of the rental and related income, occupancy rate from investment properties for 2019 and 2018:

Project	Product	Leasable GFA	Rental & related income RMB'million		Changes	Occupancy rate		Changes
		sq.m.	**2019**	2018	%	**31 Dec 2019**	31 Dec 2018	ppt
Shanghai Taipingqiao								
Shanghai Xintiandi	Office/ Retail	39,000[1]	**337**	417	(19%)	**86%**	100%	(14)
Xintiandi Style	Retail	26,000	**107**	100	7%	**96%**	100%	(4)
Shui On Plaza & XINTIANDI PLAZA	Office/ Retail	52,000[2]	**194**	115	69%	**92%**	87%	5
THE HUB	Office/ Retail	263,000	**464**	407	14%	**99%**	91%	8
Shanghai KIC	Office/ Retail/ Hotel	243,000	**469**	450	4%	**95%**	96%	(1)
INNO KIC[3]	Office/ Retail	45,000	**7**	–	–	**20%**	–	–
Wuhan Tiandi	Retail	238,000[4]	**341**	265	29%	**94%**	87%	7
Foshan Lingnan Tiandi	Office/ Retail	136,000[5]	**260**	217	20%	**97%**	95%	2
Chongqing Tiandi	Retail	131,000[6]	**57**	45	27%	**73%**	77%	(4)
Nanjing INNO Zhujiang Lu[7]	Office/ Retail	16,000	**15**	–	–	**74%**	–	–
CONSOLIDATED RENTAL AND RELATED INCOME		**1,189,000**	**2,251**	**2,016**	**12%**			
Shanghai RHXC								
(Classified as joint venture income in 2019 and 2018)[8]	Retail	98,000	**179**	184	(3%)	**88%**	94%	(6)
Shanghai Taipingqiao								
5 Corporate Avenue (Classified as associate income in 2019)	Office/ Retail	79,000	**143[9]**	–	–	**90%**	–	–
GRAND TOTAL		**1,366,000[10]**	**2,573**	**2,200**	**17%**			

Notes:

1 A total leasable GFA of 15,000 sq.m. was under AEI since March 2019 and was excluded from the above table.

2 AEI of XINTIANDI PLAZA with a total leasable GFA of 28,000 sq.m. was completed in late 2018 and the grand opening was held in May 2019.

3 INNO KIC was newly opened in April 2019.

4 North Hall of Wuhan Tiandi HORIZON with a total GFA of 72,000 sq.m. held the grand opening in November 2019.

5 Foshan Lingnan Tiandi Phase 3 with a total leasable GFA of 6,000 sq.m. was completed in the late 2019. It will be leased out in 2020 and was excluded from the above table. Shui On New Plaza (Lot D retail) with a total of 15,000 sq.m. was also excluded from the above table.

6 Occupancy rate of Chongqing Tiandi area and 6 & 7 Corporate Avenue retail podium was 68%. 8 Corporate Avenue retail podium with a total GFA of 31,000 sq.m. is undergoing repositioning and tenant upgrades.

7 Nanjing INNO Zhujiang Lu has been under pre-leasing since 2H 2018. It is an asset light project under management by the Group.

8 The Group held 49.5% effective interest in the property. Rental and related income attributable to the Group was RMB88.6 million in 2019 and RMB91.1 million in 2018. Palette 3 with a total leasable GFA of 13,000 sq.m. was under AEI and was excluded from the above table.

9 The acquisition of 5 CA was completed on 20 June 2019. The Group held 44.55% effective interest of the property as of 31 December 2019. Rental and related income of the property for 2019 was RMB269 million. The rental and related income after the completion was RMB143 million. Rental and related income attributable to the Group was RMB63.7 million in 2019.

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

Consolidated rental and related income of the Group increased by 12% to RMB2,251 million in 2019 compared to RMB2,016 million in 2018, driven by new rental income arising from the re-opening of Shanghai XINTIANDI PLAZA post-AEI, the new opening of North Hall of Wuhan Tiandi HORIZON, and strong rental growth generated by The HUB, Shanghai KIC, Foshan Lingnan Tiandi & NOVA and Wuhan Tiandi.

Including the properties held by joint ventures and associates, the total rental and related income generated from the property portfolio was increased by 17% to RMB2,573 million in 2019, of which 74% of the rental and related income was contributed by the portfolio located in Shanghai, 13% by Wuhan, 10% from Foshan, and the balance from Chongqing and Nanjing.

Building First in China, First in City Experiences

In 2019, we further our efforts in creating innovative new experiences for customers. Our "First-in-China (international brands), First-in-City (regional brands)" leasing strategy provided widened choices of international and local shopping and dining experiences to our target customers. The asset management and leasing team brought in a total of 57 "First-in-China" and 78 "First-in-City" tenancies to our retail portfolio in China, which include hailing from New York – the first "SHAKE SHACK" outlet in China, STUDIOUS from Tokyo, Maison Kitsuné from Paris, Miller Harris Perfumer from London, CHA CHA THE from Taiwan and Tao Tao Ju (陶陶居) from Guangzhou, among others. Polux by Paul Pairet, a Michelin 3-starred chef opened his first all-day dining French bistro in Shanghai Xintiandi.

Our asset management and marketing teams have been bringing in a wide range of cross-cultural exchange festivals, creating face-to-face social networking, shopping and leisure opportunities in our XINTIANDI street and shopping malls. In 2019, over 1,100 cultural events were organised and are open to the public, such as XINTIANDI Performing Art Festival, Lumieres Shanghai Lighting Festival, Tiandi World Music Festival, Tiandi Restaurants Week, Xintiandi Design Week, Shanghai Fashion Week, Hubindao Weekend Market, as part of our efforts to build an open and inclusive international cultural exchange community and promote the diversity and sustainability of international culture.

As a result of building these innovative experiences, as well as enhancing the iTiandi customer loyalty programme which has greatly increased our new customer base and higher retention rate, the shopping traffic and retail sales of the commercial portfolio increased by 18% and 16%, respectively, compared to 2018.

Indeed, iTiandi is our cutting-edge customer loyalty programme, providing to its members an omni-channel platform with access to private events, exclusive services as well as other online and offline benefits. In 2019, iTiandi, membership base grew by 46% to 1.72 million users, with member-spend rising by 152%. A three-day members festival for iTiandi members, supported by over 1,300 participating retailers, was held in December 2019. This event was a huge success, with average sales over the three-day period increasing by approximately 51%. Total sales consumed by iTiandi members exceeded RMB1.2 billion in 2019.

Performances by Major Projects

Shanghai Taipingqiao:

Shanghai Xintiandi: The rental and related income of Shanghai Xintiandi decreased by 19% due to the commencement of an AEI in early 2019 for its South Block retail podium, which has a total leasable GFA of 15,000 sq.m., representing 28% of Xintiandi's total leasable GFA. It is to be repositioned as "**Xintiandi Style I**" and is scheduled to open in 2020.

XINTIANDI PLAZA: Being the retail podium of Shui On Plaza, held its grand opening in May 2019, which together with the office area of Shui On Plaza, contributed to an 69% increase in its rental and related income to RMB194 million in 2019. Almost a hundred specialty shops were introduced at its grand opening, including the introduction of a new retail concept, "Social House by Xintiandi". The opening of **XINTIANDI PLAZA** provides a new and energetic shopping and lifestyle experience/ social platform in Shanghai.

5 Corporate Avenue: The acquisition of 5 Corporate Avenue was completed on 20 June 2019. The Group held a 44.55% effective interest in the property as of 31 December 2019. The property's rental and related income for 2019 was RMB269 million. The rental and related income after the completion of the acquisition was RMB143 million. Rental and related income attributable to the Group was RMB63.7 million in 2019.

Other Shanghai Projects:

Shanghai Rui Hong Tiandi and **Palette** are the commercial portfolio of the Rui Hong Xin Cheng project. The Group held 49.5% effective interest in the portfolio. Rental and related income of the property decreased by 3% to RMB179 million and occupancy decreased to 78% was mainly due to the AEI of **Palette 3**. Rental and related income attributable to the Group was RMB88.6 million in 2019.

THE HUB and **KIC** recorded 14% and 4% of rental and related income growth, respectively, in 2019 compared to 2018. The strong performance at **THE HUB** was due to higher shopping traffic and retail sales growth as well as positive rental reversions achieved during the year. In addition, **INNO KIC**, which was acquired by the Group in January 2018 with a total GFA of 45,000 sq.m., commenced operation in April 2019 and is currently being leased up for rental contribution in 1H 2020.

Wuhan Tiandi:

Wuhan Tiandi achieved a robust performance with rental and related income growing by 29% to RMB341 million compared to RMB265 million in 2018. The strong

performance was enhanced by **North Hall of Wuhan Tiandi HORIZON** (Lot B4 Retail) which held a grand opening on 9 November 2019 with 97% of GFA leased as of 31 December 2019. The "Garden-Themed and Designed" shopping mall is positioned to create a healthy and green lifestyle for middle class and young families living in the neighbourhood.

Foshan Lingnan Tiandi:

The occupancy rate for **NOVA** shopping mall at Foshan Lingnan Tiandi reached 99% as of 31 December 2019. The occupancy rate for **Lingnan Tiandi** was 95%. The rental and related income generated from these two properties reached RMB260 million in 2019, an increase of 20% compared to 2018. The strong performance was due to increased shopping traffic and retail sales growth as well as positive rental reversions achieved during the year.

Chongqing Tiandi:

Rental and related income of **Chongqing Tiandi** remained stable in 2019. The occupancy rate was 68% for the Tiandi retail area and the occupancy rate of **6 and 7 Corporate Avenue retail podium** (Lot B12-3 Retail) was 69%. **8 Corporate Avenue retail podium** (Lot B12-4 Retail) is undergoing repositioning and tenant upgrades.

Nanjing INNO Zhujiang Lu:

The Group currently has two asset light management projects in Nanjing. **Nanjing INNO Zhujiang Lu** – a predominantly office project – has a total GFA of 16,000 sq.m. under management by the Group, under a long-term lease contract with a third party landlord. The property has commenced operation since 2018. The occupancy rate was 74% as of end of 2019. **Nanjing Bai Zi Ting** has a total GFA of 48,000 sq.m. and is primarily a retail and culture-focused project.

Valuation of the Investment Property Portfolio

The carrying value of the completed and under development investment properties at valuation (excluding hotels for operation, self-use properties and investment property – sublease of right-of-use assets) with a total GFA of 1,272,000 sq.m. was RMB45,803 million as of 31 December 2019. Out of this amount, RMB262 million (representing 0.6% of the carrying value) arose from increased fair value during 2019. The properties located in Shanghai, Wuhan, Foshan and Chongqing, respectively, contributed 71%, 15%, 10% and 4% of the carrying value.

The table below summarises the carrying value of the investment properties at valuation as of 31 December 2019 together with the change in fair value for 2019:

Project	Leasable GFA	Increase/ (decrease) in fair value for 2019	Carrying value as of 31 December 2019	Valuation gain/ (loss) to carrying value	Attributable carrying value to the Group
	sq.m.	RMB'million	RMB'million		RMB'million
COMPLETED INVESTMENT PROPERTIES AT VALUATION					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	65,000	1	6,576	0.0%	6,556
Shui On Plaza (Office) and XINTIANDI PLAZA	52,000	41	4,281	1.0%	3,467
THE HUB	263,000	13	8,966	0.1%	8,966
Shanghai KIC	243,000	167	8,232	2.0%	3,803
INNO KIC	45,000	6	1,427	0.4%	1,427
Wuhan Tiandi	238,000	13	7,179	0.2%	7,179
Foshan Lingnan Tiandi	157,000	60	4,445	1.3%	4,445
Chongqing Tiandi	131,000	(50)	1,782	(2.8%)	1,764
SUBTOTAL	**1,194,000**	**251**	**42,888**	**0.6%**	**37,607**
INVESTMENT PROPERTIES UNDER DEVELOPMENT AT VALUATION					
Shanghai Taipingqiao					
XTD South Block AEI[1]	15,000	11	1,044	1.1%	1,044
Shanghai Hong Shou Fang	63,000	–	1,871	–	1,871
INVESTMENT PROPERTY – SUBLEASE OF RIGHT-OF-USE ASSETS					
Nanjing INNO Zhujiang Lu	16,000	(6)	113		113
GRAND TOTAL	**1,288,000[2]**	**256**	**45,916**		**40,635**

Notes:

1 A total leasable GFA of 15,000 sq.m. was under AEI since March 2019.

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

PROPERTY SALES PERFORMANCE

Recognised Property Sales

For 2019, total recognised property sales, including property sales recognised as revenue, revenue of associates and joint ventures and disposal of investment properties, was RMB12,009 million (after deduction of applicable taxes), representing a decrease of 46% compared to RMB22,150 million in 2018.

Excluding revenue contributed by the disposal of the residential Lots 1 & 7 of Rui Hong Xin Cheng, recognised property sales for 2019 increased by 50% to RMB10,739 million compared to RMB7,169 million in 2018.

The average selling price ("ASP") (excluding other asset disposal) decreased by 74% to RMB27,700 per sq.m. compared to 2018, mainly due to the change in project mix.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 2019 and 2018:

	2019			2018		
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	**3,326**	**25,400**	**138,300**	2,617	18,200	151,500
Shanghai RHXC						
Residential (Lot 2)	**703**	**7,000**	**106,000**	3,721	39,000	101,000
Retail	**–**	**–**	**–**	19	450	44,400
Wuhan Optics Valley Innovation Tiandi						
Residential	**1,319**	**93,900**	**15,100**	–	–	–
Foshan Lingnan Tiandi						
Residential	**1,139**	**65,700**	**18,900**	58	3,400	17,900
Retail	**317**	**6,670**	**52,200**	64	1,220	56,600
Chongqing Tiandi						
Residential	**3,441[2]**	**203,580**	**22,600**	6	570	12,800
Office & Retail	**189**	**13,900**	**14,500**	155	7,900	20,800
SUBTOTAL	**10,434**	**416,150**	**26,900**	**6,640**	**70,740**	**99,200**
Carparks	**305**	**–**	**–**	472	–	–
SUBTOTAL	**10,739**	**416,150**	**27,700**	**7,112**	**70,740**	**106,400**
Other asset disposal:						
Shanghai RHXC[3]	**1,270**			14,981		
Chongqing Tiandi						
Residential inventories	**–**			57		
GRAND TOTAL	**12,009**			**22,150**		
Recognised as:						
– property sales in revenue of the Group	**7,176**			22,131		
– disposal of investment properties[4]	**13**			19		
– revenue of associates	**3,501**			–		
– revenue of joint ventures	**1,319**			–		
GRAND TOTAL	**12,009**			**22,150**		

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 RMB3,441 million and ancillary retail space of RMB60 million were contributed by Chongqing Tiandi partnership portfolio and were recognised as revenue of associates. The Group holds 19.8% interests in the partnership portfolio.

3 On 26 June 2018, the Group entered into the agreement to dispose of 49.5% of the interests in certain portfolio of properties in relation to Shanghai RHXC project Lots 1 and 7 residential inventories. The disposal was accounted for the sales of property inventories in the ordinary course of the Group's property business.

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

Contracted Property Sales, Other Asset Disposal, Subscribed Sales and Locked-in Sales

The Group's contracted property sales and other asset disposal decreased by 44% to RMB12,501 million in 2019, compared to RMB22,279 million in 2018, with residential property sales accounting for 97.5% and the remainder contributed by commercial property sales. The decrease was mainly due to an absence of other asset disposals in 2019. Excluding the disposals of the Dalian project and Shanghai Rui Hong Xin Cheng Lots 1 and 7, contracted property sales decreased by 14% from RMB14,530 million in 2018 to RMB12,501 million in 2019.

The ASP of residential property sales decreased by 23.6% to RMB30,800 per sq.m. in 2019, compared to RMB40,300 per sq.m. in 2018. The decrease was mainly due to changes in project mix. ASP across projects increased slightly in 2019 compared to the same project.

As of 31 December 2019, a total value of RMB2,912 million was subscribed subject to execution of formal sales and purchase agreements.

As of 31 December 2019, a total value of RMB11.8 billion was locked-in sales for delivery to customers and for recognition as revenue in 2020 and beyond.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 2019 and 2018:

	2019			2018		
Project	**Contracted amount**	**GFA sold**	**ASP**	Contracted amount	GFA sold	ASP
	RMB' million	**sq.m.**	**RMB per sq.m.**	RMB' million	sq.m.	RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao	**–**	**–**	**–**	6,102	42,500	143,600
Shanghai RHXC (Lots 2&9)	**352**	**2,800**	**125,700**	1,733	17,000	101,900
Shanghai RHXC (Lot 1)[1]	**4,108**	**39,100**	**105,100**	–	–	–
Wuhan Tiandi	**2,222**	**51,400**	**43,200**	903	23,500	38,400
Wuhan Optics Valley Innovation Tiandi	**1,345**	**87,800**	**15,300**	359	25,400	14,100
Foshan Lingnan Tiandi	**310**	**13,500**	**23,000**	1,191	63,100	18,900
Chongqing Tiandi[2]	**3,645**	**200,600**	**22,200**	3,321	179,000	22,600
Carparks	**201**	**–**	**–**	511	–	–
SUBTOTAL	**12,183**	**395,200**	**30,800**	**14,120**	**350,500**	**40,300**
Commercial property sales:						
Shanghai RHXC	**39**	**500**	**78,000**	31	600	51,700
Foshan Lingnan Tiandi	**113**	**2,400**	**47,100**	304	5,500	55,300
Chongqing Tiandi	**166**	**11,500**	**14,400**	75	4,400	17,100
SUBTOTAL	**318**	**14,400**	**22,100**	**410**	**10,500**	**39,000**
TOTAL PROPERTY SALES	**12,501**	**409,600**	**30,500**	**14,530**	**361,000**	**40,200**
Other asset disposal:						
Dalian Tiandi[3]	**–**			3,160		
Shanghai RHXC[4]	**–**			4,589		
SUBTOTAL	**–**			**7,749**		
GRAND TOTAL	**12,501**			**22,279**		

Notes:

1 The Group held 49.5% of the properties.

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

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

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

Residential GFA Available for Sale and Pre-sale in 2020

The Group has approximately 362,700 sq.m. of residential GFA spanning six projects available for sale and pre-sale during 2020, as summarised below:

Project				Available for sale and pre-sale in 2020
		GFA in sq.m.	Group's interest %	Attributable GFA in sq.m.
Shanghai Taipingqiao Lot 118	High-rises	78,500	99%	77,700
Shanghai RHXC Lot 2	Townhouses/ high-rises	1,300	99%	1,300
Shanghai RHXC Lot 1	High-rises	68,100	49.5%	33,700
Wuhan Tiandi	High-rises	39,300	100%	39,300
Wuhan Optics Valley Innovation Tiandi	High-rises	50,900	50%	25,500
Foshan Lingnan Tiandi	High-rises	41,800	100%	41,800
Chongqing Tiandi	High-rises	82,800	19.80%	16,400
TOTAL		**362,700**		**235,700**

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 – Lakeville Luxe (Lot 116) has a total residential apartment GFA of 94,000 sq.m.. A total of 25,400 sq.m. of residential GFA were delivered to customers in 2019. All of the apartments of Lot 116 were sold and delivered to customers. Lot 118 is under construction with a total GFA of 79,000 sq.m. for residential use. Construction commenced in 2018. The sales centre was opened in late 2019. The Group is planning to launch the residential units in Lot 118 for pre-sale in 2020.

Shanghai RHXC – The Gallery (Lot 2), with a total GFA of 6,900 sq.m. of townhouse and high-rise residential units, was delivered to customers in 2019. Parkview (Lot 1) commenced construction in 2018. A total GFA of 107,000 sq.m. will be developed for residential use with the remaining GFA of 3,000 sq.m. for retail shops. The Group launched the first batch for pre-sale in late December 2019 with strong sales recorded amounting to RMB6.3 billion property sales on the day of launch. The Group will continue to sell the remaining units in 2020. Relocation of Lot 7 was completed in 2019, with construction to commence in 2020. A total GFA of 159,000 sq.m. will be developed for residential use with the remaining GFA of 2,000 sq.m. for retail shops.

Wuhan Tiandi – La Riva II (Lot B10) is under construction and is planned to be 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 is planned for launch in 2020.

Wuhan Optics Valley Innovation Tiandi – The site was acquired in 2017. The first phase (Lot R1) with a total GFA of 122,000 sq.m. was completed with a total GFA of 93,900 sq.m. was delivered to the customers in 2019. Various pre-sales were launched in 2019 with sales of a total GFA of 87,800 sq.m. contracted in 2019. Construction of Lot R5 for a total GFA of 113,000 sq.m. commenced in 2019 and is planned for pre-sale from 2H 2020.

Foshan Lingnan Tiandi – The Masterpiece (Lot 13a) with a total GFA of 49,000 sq.m. for residential use and 1,000 sq.m. for retail space commenced construction in 2019 and pre-sale was launched since late 2019. In 2019, Foshan project won the 2019 Urban Land Institute ("ULI") Asia – Pacific Excellence Award and Global Excellence Award.

Chongqing – EMERALD MANSION (Lot B15) with a total GFA of 208,000 sq.m. was completed in 2019. GLORY MANSION (Lot B13) with a total GFA of 252,000 sq.m. and ARK MANSION (Lot B14-3) with a total GFA of 89,000 sq.m. are under construction. The Group holds 19.8% interests in the partnership portfolio.

Commercial Properties under Development

Shanghai Taipingqiao – 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 a total GFA of 88,000 sq.m. to be developed into all-weather street style shopping mall, named Tai Ping Yang Xintiandi. The construction of the office towers is planned for completion from 2022 to 2024 in phases and the shopping mall is planned to be completed in 2023. The Group holds 25% interests in the development.

Shanghai RHXC – Hall of the Sun (Rui Hong Tiandi Lot 10) completed relocation in 2017 and construction works has commenced in 2018. It will be developed into a commercial complex comprising two Grade-A Office Towers with a total GFA of 147,000 sq.m. and a total GFA of 183,000 sq.m. to be developed into a shopping mall. The shopping mall had its topping up of the main construction in June 2019. The development is planned for completion in 2021.

INNO KIC – The internal fitting out works for the two office buildings with a total GFA of 45,000 sq.m. were completed and commenced operation in April 2019.

Wuhan Tiandi – Lot A1 office building with a total GFA of 160,000 sq.m. is under construction. It is planned for completion in 2021.

By way of a cautionary note, the actual completion and launch dates depend on, and will be affected by, construction progress, changes in market environments, changes in government regulations and other factors. The Group plans its project construction 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.

LANDBANK

As of 31 December 2019, the Group's landbank was 8.8 million sq.m. (comprising 6.7 million sq.m. of leasable and saleable area, and 2.1 million sq.m. for clubhouses, car parking spaces and other facilities) spreading across eleven development projects located in the prime areas of four major PRC cities, namely: Shanghai, 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 6.7 million sq.m., approximately 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 2.7 million sq.m. was under development, and the remaining 2.5 million sq.m. was held for future development.

The relocation of Shanghai RHXC Lot 7 was completed in 2019. For Lot 167, 99.2% of the residents has signed relocation agreements as of 31 December 2019.

On 28 June 2019, the Group completed the acquisition of 34.8% effective interest in Nanjing Jiangnan Cement Company Limited, a sino-foreign joint venture, for a total consideration of RMB148 million. The joint venture directly and wholly owns the land use rights at the eastern side of Qixia Mountain, Qixia Town, Qixia District, Nanjing, the PRC, which comprises six adjoining land lots with a total area of 319,871.9 sq.m., and has the right to occupy, use, dispose of and benefit from the properties erected thereof.

On 31 October 2019, the Group acquired four parcels of residential sites located in Panlong area in Qingpu District of Shanghai. The total consideration was RMB3.88 billion. The Group holds 80% effective interest of the sites.

On 1 November 2019, the Group acquired a commercial site located in Hong Shou Fang in Putuo District of Shanghai. The total consideration was RMB1.86 billion. The Group holds 100% effective interest in the sites.

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

The Group's total landbank as of 31 December 2019, including that of its joint ventures and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA					Clubhouse, carpark and other facilities	Total	Group's interest	Attributable leaseable and saleable GFA
	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal				
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
COMPLETED PROPERTIES:									
Shanghai Taipingqiao	–	88,000	116,000	–	**204,000**	95,000	**299,000**	99.00%[1]	148,000
Shanghai RHXC	3,000	–	111,000	–	**114,000**	103,000	**217,000**	99.00%[2]	58,000
Shanghai KIC	–	164,000	63,000	22,000	**249,000**	147,000	**396,000**	44.27%[3]	116,000
Shanghai THE HUB	–	93,000	170,000	–	**263,000**	72,000	**335,000**	100.00%	263,000
Shanghai INNO KIC	–	41,000	4,000	–	**45,000**	18,000	**63,000**	100.00%	45,000
Wuhan Tiandi	–	–	238,000	–	**238,000**	219,000	**457,000**	100.00%	238,000
Wuhan Optics Valley Innovation Tiandi	27,000	–	1,000	–	**28,000**	53,000	**81,000**	50.00%	14,000
Foshan Lingnan Tiandi	–	16,000	159,000	43,000	**218,000**	138,000	**356,000**	100.00%	218,000
Chongqing Tiandi	–	–	135,000	–	**135,000**	293,000	**428,000**	99.00%[4]	132,000
SUBTOTAL	**30,000**	**402,000**	**997,000**	**65,000**	**1,494,000**	**1,138,000**	**2,632,000**		**1,232,000**
PROPERTIES UNDER DEVELOPMENT:									
Shanghai Taipingqiao	79,000	192,000	103,000	–	**374,000**	116,000	**490,000**	99.00%[5]	163,000
Shanghai RHXC	351,000	147,000	189,000	–	**687,000**	256,000	**943,000**	49.50%[6]	340,000
Shanghai Panlong Tiandi	176,000	–	–	–	**176,000**	79,000	**255,000**	80.00%	141,000
Shanghai Hong Shou Fang	–	48,000	15,000	–	**63,000**	19,000	**82,000**	100.00%	63,000
Wuhan Tiandi	114,000	160,000	–	–	**274,000**	86,000	**360,000**	100.00%	274,000
Wuhan Optics Valley Innovation Tiandi	111,000	–	2,000	–	**113,000**	51,000	**164,000**	50.00%	57,000
Foshan Lingnan Tiandi	49,000	–	3,000	–	**52,000**	19,000	**71,000**	100.00%	52,000
Chongqing Tiandi	402,000	259,000	218,000	25,000	**904,000**	357,000	**1,261,000**	19.80%	179,000
SUBTOTAL	**1,282,000**	**806,000**	**530,000**	**25,000**	**2,643,000**	**983,000**	**3,626,000**		**1,269,000**
PROPERTIES FOR FUTURE DEVELOPMENT:									
Shanghai Taipingqiao	86,000	–	33,000	38,000	**157,000**	–	**157,000**	99.00%[7]	155,000
Shanghai RHXC	–	107,000	12,000	–	**119,000**	39,000	**158,000**	49.00%	58,000
Wuhan Tiandi	135,000	166,000	94,000	–	**395,000**	–	**395,000**	100.00%	395,000
Wuhan Optics Valley Innovation Tiandi	212,000	486,000	348,000	–	**1,046,000**	–	**1,046,000**	50.00%	523,000
Foshan Lingnan Tiandi	28,000	450,000	107,000	80,000	**665,000**	–	**665,000**	100.00%	665,000
Chongqing Tiandi	72,000	–	65,000	–	**137,000**	29,000	**166,000**	19.80%	27,000
SUBTOTAL	**533,000**	**1,209,000**	**659,000**	**118,000**	**2,519,000**	**68,000**	**2,587,000**		**1,823,000**
TOTAL LANDBANK GFA	**1,845,000**	**2,417,000**	**2,186,000**	**208,000**	**6,656,000**	**2,189,000**	**8,845,000**		**4,324,000**

Notes:

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

2 The Group has a 99.00% effective interest in all the remaining lots, except for The Palette 3, Hall of the Stars, Hall of the Moon, in which the Group has an effective interest of 49.50%.

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

4 The Group has a 99.00% effective interest in all the remaining lots, except for Lot B15 in which the Group has an effective interest of 19.80%.

5 The Group has a 99.00% interest in Lot 118 for residential use, a 100.00% interest in XTD South Block AEI and 25% interest in Lots 123, 124 & 132 for office and retail uses.

6 The Group has a 49.50% effective interest in Lot 10 for office and retail uses and Lots 1 & 7 for residential use, and 49.00% interest in Lot 167A for residential use.

7 Lots 119,120 & 122 are yet to commence relocation.

FINANCIAL REVIEW

The Group's ***revenue*** for 2019 decreased by 58% to RMB10,392 million (2018: RMB24,841 million), mainly due to a significant decrease in recognised property sales.

Property sales for 2019, which comprised of normal property sales and a one-off disposal of 49.5% interest in the residential developments at RHXC Lots 1 and 7 to a third party (the "RHXC Disposal"), decreased by 68% to RMB7,176 million (2018: RMB22,131 million). Normal property sales for 2019 decreased to RMB5,906 million (2018: RMB7,093 million). The normal property sales reported in 2019 mainly comprised contributions of RMB3,412 million, RMB1,558 million and RMB723 million, from TPQ Lot 116, Foshan (mainly in Lots 2/3) and RHXC The Gallery (Lot 2), respectively. This compares against the contributions of RMB3,951 million and RMB2,733 million from RHXC The Gallery (Lot 2) and TPQ Lot 116, respectively, in 2018. In relation to the RHXC Disposal, while the disposal was completed in 2018, the relevant payments were subject to the project's land clearance progress. The final land clearance of RHXC Lot 7 was completed in 2019 and accordingly, the Group had recognised the balance revenue of RMB1,270 million in 2019 (2018: RMB14,981 million).

Income from property investment increased to RMB2,345 million (2018: RMB2,112 million), while ***rental and related income*** from investment properties increased to RMB2,251 million (2018: RMB2,016 million). The 12% year-on-year ("Y/Y") increase in rental and related income was mainly due to sustained rental growth from its existing completed properties and newly-completed properties, including properties that have undergone asset enhancement.

Rental and related income from the Group's Shanghai properties increased 6% Y/Y to RMB1,578 million (2018: RMB1,489 million), accounting for 70% (2018: 74%) of total rental and related income. This includes the completion of asset enhancements to XINTIANDI PLAZA and INNO KIC, both of which have started to generate rental income, offsetting the decrease in rental income from XTD South Block, which has been undergoing a major renovation upgrade since March 2019. The upgrades are slated for completion in the second half of 2020. In addition, North Hall of Wuhan Tiandi HORIZON was completed and opened its doors for a grand opening in November 2019, contributing to a 29% Y/Y increase in rental income increase for Wuhan Tiandi to RMB341 million (2018: RMB265 million). Income from hotel operations, comprising contributions from the Marco Polo Hotel in Foshan, decreased to RMB94 million for 2019 (2018: RMB96 million).

Construction income generated by the construction business increased to RMB538 million for 2019 (2018: RMB296 million), which was mainly generated from the construction business of RHXC residential Lot 1.

Gross profit for 2019 decreased by 26% to RMB5,313 million (2018: RMB7,145 million), while ***gross profit margin*** increased to 51% (2018: 29%). The decrease was mainly due to lower property sales and a decrease in profits recognised for the RHXC Disposal, which was partially offset by an increase to income from property investment. For 2019, gross profit contributions from property investment increased by 13% to RMB1,634 million (2018: RMB1,451 million).

Other income for 2019 increased by 29% to RMB536 million (2018: RMB417 million), which comprised of bank interest income and interest income from joint ventures and associates. The increase in other income was due to an increase in loans to joint venture and associates during the year.

Selling and marketing expenses decreased by 42% Y/Y to RMB148 million (2018: RMB254 million). This was mainly due to a lower level of selling and promotional activities as the Group's residential products are well accepted by the market and better cost-efficiencies over selling and marketing expenses.

General and administrative expenses, which comprised staff costs, depreciation charges and advisory costs incurred, increased by 5% to RMB829 million (2018: RMB790 million).

As a result of the above, ***operating profit*** decreased by 25% to RMB4,872 million for 2019 (2018: RMB6,518 million).

Increase in fair value of investment properties was RMB256 million in 2019 (2018: RMB970 million). The increase in fair value of investment properties for 2019 represented a 0.6% gain when compared with the carrying value of investment properties as of 31 December 2019. In 2019, the Group reported a RMB167 million and RMB60 million fair value gain for certain investment properties in Shanghai KIC and Foshan, which was partially offset by a fair value loss amounting to RMB50 million for the Chongqing project.

Other gains and losses amounted to a lower loss of RMB150 million (2018: RMB1,123 million). This comprised cost arising from hedging activities of RMB150 million (2018: RMB133 million). The significant decrease in other losses was due to the absence of a one-off loss arising from the provision of commercial lands costs in Foshan Lingnan Tiandi, an impairment loss of investment in a joint venture, a decrease in fair value of call option, which amounted to RMB380 million, RMB376 million and RMB99 million, respectively, in 2018. No such recurring item was reported in 2019.

Share of gains of associates and joint ventures was higher at RMB195 million for 2019 (2018: RMB61 million). This was mainly contributed by a 50:50 joint venture with Citic Limited in Wuhan Optical Valley which has commenced delivery of residential properties in 2019, contributing gains of RMB167 million (2018: loss of RMB10 million).

Finance costs, inclusive of exchange differences, amounted to RMB1,497 million (2018: RMB1,583 million). Total interest costs decreased by 2% to RMB2,285 million (2018: RMB2,329 million), mainly due to the repayment of bank borrowings and senior notes. Of these interest costs, 45% (2018: 41%) or RMB1,033 million (2018: RMB945 million) was capitalised as cost of property development, with the remaining 55% (2018: 59%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. Exchange loss of RMB205 million (2018: RMB140 million) was recorded as a result of the depreciation of the RMB against the HKD and the USD for the year 2019.

Reversal (provision) of impairment losses under expected credit loss model, amounted to a gain of RMB179 million (2018: a loss of RMB122 million), due to the reversion of a provision of bad debts relating to part of our Foshan companies that were disposed to a third party in 2016. According to the sale and purchase agreement, the purchaser would provide a final payment of RMB180 million to the Group once the land clearance of certain lots is complete. The captioned land clearance resolved in 2019 and the Group has received payment from the purchaser in 2019. Accordingly, the Group reversed the relevant provision of RMB180 million previously made in 2018.

Profit before taxation decreased by 22% to RMB3,855 million (2018: RMB4,915 million) due to a lower gross profit arising from the abovementioned factors.

Taxation decreased 41% to RMB1,310 million (2018: RMB2,229 million). The effective tax rate in 2019 was 34% (2018: 45%). 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, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction. The lower taxation amount in 2019 was mainly due to the lower profit before tax and reduction in deferred tax provision relating to the investment properties. As a result of the overall implementation of the Asset Light Strategy exercise in 2019, the Group has given a fresh consideration as to the most appropriate tax rates at which to measure deferred tax. The Group has used an expected value approach based on the weighted probabilities of all possible tax rates to determine overall measurement. This allows the financial statements to reflect the likely economic reality of disposal. The Group will reassess the measurement on an ongoing basis based on the available facts and ensure the adequacy of the related deferred tax provision on those temporary differences.

Profit for the year 2019 was RMB2,545 million (2018: RMB2,686 million).

Profit attributable to shareholders of the Company for the year 2019 was RMB1,932 million, an increase of 1% compared to RMB1,906 million in 2018.

Core earnings of the Group are as follows:

	2019 RMB'million	2018 RMB'million	Change
Profit attributable to shareholders of the Company	**1,932**	1,906	1%
Increase in fair value of investment properties, net of tax	**(196)**	(736)	
Realised fair value (loss)/gain from investment properties disposed of	**(3)**	6	
Realised bargain purchase gain from acquisition of subsidiaries	**159**	115	
Impairment loss on investment properties under development at cost	**–**	380	
Impairment loss on investment in a joint venture	**–**	376	
Share of results of associates - realised fair value gains from investment properties disposed of, net of tax	**–**	374	
Share of results of joint ventures - fair value gains of investment properties, net of tax	**(24)**	(61)	
	(64)	454	
Non-controlling interests	**70**	329	
Net effect of changes in the valuation	**6**	783	(99%)
Profit attributable to shareholders of the Company before revaluation	**1,938**	2,689	(28%)
Add:			
Profit attributable to owners of convertible perpetual capital securities	**116**	112	4%
Profit attributable to owners of perpetual capital securities	**269**	259	4%
Core earnings of the Group	**2,323**	3,060	(24%)

Earnings per share for 2019 was RMB24.0 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue (2018: RMB23.7 cents, which was calculated based on a weighted average of approximately 8,043 million shares in issue).

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

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

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

Having taken into consideration that the Group's financial position and improved cashflow, the Board has resolved to recommend the payment of a 2019 final dividend of HKD0.084 per share (2018: HKD0.084 per share).

Major Acquisition and Disposal

Over the past few years, the Group has pursued an Asset Light Strategy to strategically dispose selected or non-core assets to increase assets turnover. In addition, the Group has also forged partnerships with strategic partners to develop both residential and commercial properties in Shanghai and Wuhan. We also commenced a new investment platform with Manulife Investors and China Life Trustees Limited to co-invest in selected prestigious commercial properties in China.

Details of transactions in 2019 are outlined below:

1) In December 2018, the Group entered into an agreement with Brookfield, an affiliate of Brookfield Asset Management Inc., to acquire 21.894% interest in CXTD held by Brookfield for a consideration of approximately RMB3,406 million. On 15 March 2019, the transaction was completed and CXTD has become a wholly-owned subsidiary of the Company. For details, please refer to the circular issued by the Company dated 20 February 2019.

2) In December 2018, the Group established SCOV with Manulife Investors and China Life Trustees Limited. The targeted total capital commitment of the office investment platform is USD1.0 billion. The office investment platform's first investment is 5 CA – a prime Grade-A office building with an ancillary retail podium and carparks in Taipingqiao, Shanghai. On 20 June 2019, the transaction was completed. For details, please refer to the Company's announcement dated 31 December 2018.

3) In May 2019, the Group entered into an agreement with Shui On Building Materials Limited, an indirect wholly-owned subsidiary of SOCAM Development Limited to purchase 58% interest of Great Market Limited for a consideration of RMB148 million. Great Market Limited can exercise joint control over and directly owns 60% of the equity interest of Nanjing Jiangnan Cement Company Limited, which directly and wholly owns certain parcels of land in Nanjing. The acquisition was completed on 28 June 2019. For details, please refer to the Company's announcement dated 14 May 2019.

4) In October 2019, the Group succeeded in the bids of land use right in Shanghai Qingpu District for an aggregate consideration of RMB3,881 million. The lands consist of four land parcels with a total gross floor area of 176,251.5 sq.m. for residential use with term of use of 70 years. For details, please refer to the circular issued by the Company dated 23 December 2019.

5) In November 2019, the Group also won the bids for land use right of a piece of land in Shanghai Putuo District for an aggregate consideration of RMB1,860 million. The land is designated for commercial and office uses with a total above ground gross area of 63,020 sq.m. and a term of use of 40 years for commercial use and 50 years for office use. For details, please refer to Company's announcement dated 1 November 2019.

Liquidity, Capital Structure and Gearing Ratio

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

1) In February 2019, the Group issued an aggregate principal amount of USD500 million senior notes due 2021 at a yield of 6.25% per annum.

2) In September 2019, the Group has fully repaid an aggregate principal amount of USD250 million senior notes at a yield of 4.375% per annum.

3) In November 2019, the Group issued an aggregate principal amount of USD300 million senior notes due 2023 at a yield of 5.75% per annum. This is the first-ever green bond issued by the Group under the Green Finance Framework. The Group will apply the proceeds towards green projects compliant with the green finance framework.

4) On 20 February 2020, the Group commenced an exchange and tender offer for the February and November 2021 due senior notes. A total of USD392 million maturing in 2021 were tendered and exchange for new senior notes at 5.5% per annum due 2025. The Group has finally issued an aggregate principal amount of USD490 million of of such new senior notes. The transaction was completed on 3 March 2020.

The structure of the Group's borrowings as of 31 December 2019 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	13,119	1,105	3,432	5,001	3,581
Bank borrowings – HKD	4,841	1,176	1,301	2,364	–
Bank borrowings – USD	7,863	3,571	3,142	1,150	–
Senior notes – USD	9,162	–	7,076	2,086	–
Senior notes – RMB	2,237	–	2,237	–	–
Receipts under securitisation arrangements – RMB	519	7	10	50	452
TOTAL	**37,741**	**5,859**	**17,198**	**10,651**	**4,033**

Total cash and bank deposits amounted to RMB11,859 million as of 31 December 2019 (31 December 2018: RMB15,392 million), which included RMB1,289 million (31 December 2018: RMB2,288 million) of deposits pledged to banks and RMB2,908 million (31 December 2018: RMB3,348 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2019, the Group's net debt was RMB25,882 million (31 December 2018: RMB18,877 million) and its total equity was RMB49,307 million (31 December 2018: RMB47,219 million). The Group's net gearing ratio was 52% as of 31 December 2019 (31 December 2018: 40%), calculated based on the excess of the sum of senior notes, receipts under securitisation arrangements, bank borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity. The Group's solid balance sheet should enable it to weather any normal market volatility that may arise.

As of 31 December 2019, HKD/USD borrowings including senior notes (unhedged), net off HKD/USD cash and bank deposits, amounted to approximately RMB11,226 million in equivalent, which is around 30% of the total borrowings (31 December 2018: 25%).

Total undrawn banking facilities available to the Group amounted to approximately RMB8,717 million as of 31 December 2019 (31 December 2018: RMB2,539 million).

Pledged Assets

As of 31 December 2019, the Group had pledged investment properties, property, plant and equipment, right-of-use assets, properties under development for sale, properties held for sale, accounts receivable and bank deposits totalling RMB38,605 million (31 December 2018: RMB37,036 million) to secure the Group's borrowings of RMB15,925 million (31 December 2018: RMB11,280 million).

Capital and Other Development Related Commitments

As of 31 December 2019, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB2,252 million (31 December 2018: RMB3,501 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. The RMB senior notes issued in 2018 are also denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the senior notes issued in 2018 does 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, perpetual capital securities and convertible perpetual capital securities denominated in USD issued from 2015 to 2019. 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 2019, the Group has entered approximately USD1,260 million forward to hedge the USD currency risk against RMB and HKD800 million forward to hedge the HKD currency risk against RMB. In addition, from 1 January 2020 till today, the Group has further entered the capped forward contracts of USD355 million and the forward contracts of USD270 million and HKD300 million to hedge the USD and HKD currency risk against RMB.

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

Save for disclosed above, as of 31 December 2019, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if necessary.

Contingent Liabilities

The Group provided guarantees of RMB1,152 million at 31 December 2019 (31 December 2018: RMB1,398 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

The global economy encountered enormous uncertainties and headwinds in 2019 stemming in particular from heightened US-China trade disputes and delays to the resolution of Britain's departure from the EU. These undermined business confidence, leading to weak global growth of 2.9%, the slowest since the 2008 global financial crisis. Global economic prospects further worsened in early 2020, following the outbreak and spread of a novel coronavirus (COVID-19) from China to Asia, Europe and the US, which have resulted in huge financial market volatility. In response, global central banks undertook massive quantitative easing to stabilize the stock market. US treasury yields fell to historic low levels amid the market turmoil, prompting the Fed to undertake two emergency rate cuts in early March, lowering the Federal Funds rate by 150bps to near zero level.

In 2019, China's economic growth slowed to 6.1% in tandem with escalating US-China trade tariffs. Despite a respite in tension following the signing of the "Phase One" trade deal, the average tariff on Chinese exports to the US is now 19.3%, compared with 3.0% before onset of the dispute. Chinese exporters still confront huge challenges this year to offset the drag through trade diversion to countries in the EU and ASEAN. In addition, the coronavirus outbreak and city lockdown in Wuhan had caused supply chain and economic dislocations, and the slow resumption of factory production dragged China's economy into a deep contraction in the first quarter. While some experts have concluded COVID-19 has a lower fatality rate compared with SARS, the current fatality rate for clinically resolved cases is higher and it has a longer incubation period and is contagious even before symptoms appear. In the absence of effective US and EU containment and mitigation measures, the economic and social impact of COVID-19 will be more severe than for SARS, and will likely result in a global recession this year.

China's residential property market registered stable growth in 2019, with national housing transactions by area and sales revenue registering rises of 1.5% and 10.3% respectively. The government's long-term housing mechanism has worked well under the guiding principles of "houses are for living, not for speculation". For 2020, the authorities have emphasised maintaining "three stabilities" in respect of land prices, house prices and market expectations. To offset the economic drag from COVID-19, the People's Bank of China lowered the LPR and eased commercial banks' liquidity through cuts in the reserve requirement ratio. Nevertheless, with severe sales disruptions in the first quarter, national housing transactions by area and sales revenue this year will inevitably fall.

The Grade-A office demand was hampered by the US-China trade tension and fell noticeably in 2019, resulting in higher vacancy rates and lower rentals in many Chinese cities. According to CBRE, more than 80% of China's first and second tier cities recorded a year-on-year (YoY) rental fall in 2019. The asking rent for Shanghai Grade-A office space declined by 1.7% YoY to RMB 9.7 per sq. m. per day, compared with a sharper 4.6% drop in effective rent. While leasing demand from technology companies is strong, the onset of global recession will delay corporate expansion plans and exert downward pressure on office rentals in 2020.

The commercial retail property market was an outperformer in 2019, supported by robust national retail sales growth of 8.0% to RMB41.2 trillion. Retail property take-up has maintained steady growth, according to the Jones Lang LaSalle survey of 20 major Mainland Chinese cities. In Shanghai, the prime retail vacancy rate dropped in 2019 from 9.1% to 8.6%, while the rate in decentralised locations rose from 9.5% to 10.2% due to plentiful supply. However, the demand for retail property has been severely impacted by the coronavirus outbreak at the start of the year. Shopping mall traffic came to a halt in the first quarter as consumers chose to stay home, but in view of what appears to be the successful control of the disease, the drag on shopper traffic and consumer spending should be short-lived.

Despite ongoing US-China trade tensions, Shanghai managed to maintain a steady GDP growth of 6.0% in 2019. The sound performance was supported by concerted government efforts to improve the business environment, boosting the number of foreign investment projects by 21.5%. Shanghai is taking advantage of the mandate to expand its Free Trade Zone area, and the municipality stands to benefit from further opening of its financial sector to foreign investment in 2020. This will strengthen Shanghai's international role as a gateway between China and the rest of the world.

Chongqing's economic growth accelerated from 6.0% in 2018 to 6.3% in 2019, helped by high-tech manufacturing industry value-added growth of 12.6%. Besides an ongoing industry upgrading programme, Chongqing plans to increase the contribution of consumption to GDP to 60% by 2025. The government has rolled out supportive measures for small and medium-sized enterprises and is placing an emphasis to foster high quality development and closer integration of the Chengdu-Chongqing economic corridor.

Wuhan recorded strong economic growth of 7.4% in 2019, helped by an aggressive programme to increase the city's competitiveness through retention of talent. There has been notable progress in urban infrastructure up-grading through construction of metro lines to improve urban connectivity, an important step to fulfil the development vision of becoming a "Global City". However, Wuhan's economy will inevitably suffer a setback this year as it is the epicentre of the coronavirus outbreak.

Foshan's economic growth accelerated from 6.3% in 2018 to 6.9% in 2019, underpinned by a strong rebound in manufacturing output. The city has taken steps to ease home purchasing restrictions for workers who possess a university degree. This policy will attract talent and help Foshan to achieve its target of 8.1 million population this year. The government is embarking on a new plan to deepen its economic integration with Guangzhou, which should bode well for the residential property market.

In 2019, Nanjing's GDP increased by 8.0% to RMB1.4 trillion, buoyed by a vibrant housing market, which recorded a 22.6% increase in transaction area. The government made a strong push to increase its R&D expenditure to 3.28% of GDP, targeting to expedite its transformation into an innovation-oriented city having global influence. Nanjing has enormous potential to benefit from the national "Yangtze River Delta Integration" development strategy, and targets to achieve 7.5% economic growth this year.

The year 2020 is shaping up to be a very challenging one. The global economy confronts enormous risks from high debt, rising populism and worsening climate conditions. The recent outbreak of COVID-19 has disrupted global supply chain and consumption, with economic growth projected to fall sharply in the first half of the year. In view of heightened headwinds and downside risks to China's economy and its property market, we will stay vigilant and closely monitor the volatile market condition, and ready to react rapidly and effectively to address both the challenges and the potential opportunities as they unfold.

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report for the year ended 31 December 2019.

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 new 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 (the "CG Code") set out 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 2019, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code.

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 2019.

In addition, to assist in fulfilling its duties, the Board has established four Board committees, namely the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee and the Finance Committee, and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

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

At the date of this report, the Board comprises nine members in total, with three Executive Directors, one Non-executive Director and five Independent Non-executive Directors ("INEDs"):

Executive Directors
Mr. Vincent H. S. LO *(Chairman of the Board, member of the Remuneration Committee, Chairman of the Nomination Committee and Chairman of the Finance Committee)*
Mr. Douglas H. H. SUNG *(Managing Director, Chief Financial Officer and Chief Investment Officer and member of the Finance Committee)*
Ms. Stephanie B. Y. LO *(Managing Director)*
Non-executive Director
Mr. Frankie Y. L. WONG *(Vice Chairman of the Finance Committee)*
INEDs
Sir John R. H. BOND *(Member of each of the Nomination Committee and the Finance Committee)*
Professor Gary C. BIDDLE *(Chairman of the Audit and Risk Committee and member of each of the Remuneration Committee, the Nomination Committee and the Finance Committee)*
Dr. Roger L. McCARTHY *(Member of the Audit and Risk 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 Finance Committee)*

At the conclusion of the annual general meeting of the Company held on 31 May 2019 ("2019 AGM"), Dr. William K. L. FUNG retired as an Independent Non-executive Director of the Company and ceased to be the Chairman of the Remuneration Committee, a member of the Finance Committee and the Investment Sub-Committee of the Company. Mr. Anthony J. L. NIGHTINGALE was appointed as the Chairman of the Remuneration Committee of the Company with effect from 31 May 2019. Apart from the above, during the year ended 31 December 2019, 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 five 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 independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

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 committee 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 our project developments.

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.

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 92 to 97. Except that Ms. Stephanie B. Y. 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 current profile of the Board is as follows:

The Board Diversity Policy, which sets out the Company's approach to achieve diversity in the boardroom, was adopted in March 2013. 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 gender, age, cultural and educational background, professional and industry experience, skills, knowledge, 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.

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 2019, the Directors attended five training sessions organised by the Company.

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 2019.

Board and Board Committees Meetings and Shareholders' Meetings

Number of meetings and directors' attendance

The Company held the 2019 AGM and five regular Board meetings during the year. Directors' attendance records at Board and Board committees meetings and 2019 AGM are set out below:

	Meetings attended/held during tenure					
Name of Directors	Board meetings	2019 AGM	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Finance Committee
Executive Directors						
Mr. LO	5/5	✓	N/A	3/3	1/1	2/2
Mr. Douglas H. H. SUNG	5/5	✓	N/A	N/A	N/A	2/2
Ms. Stephanie B. Y. LO	5/5	✓	N/A	N/A	N/A	N/A
Non-executive Director						
Mr. Frankie Y. L. WONG	5/5	✓	N/A	N/A	N/A	2/2
Independent Non-executive Directors						
Sir John R. H. BOND	5/5	✓	N/A	N/A	1/1	2/2
Dr. William K. L. FUNG *	3/3	–	N/A	2/2	N/A	2/2
Professor Gary C. BIDDLE	5/5	✓	5/5	3/3	1/1	2/2
Dr. Roger L. McCARTHY	5/5	✓	5/5	N/A	N/A	N/A
Mr. David J. SHAW	4/5	✓	4/5	N/A	N/A	N/A
Mr. Anthony J. L. NIGHTINGALE **	4/5	✓	N/A	1/1	N/A	2/2

* Dr. William K. L. FUNG retired as an Independent Non-executive Director of the Company at the conclusion of the 2019 AGM.

** Mr. Anthony J. L. NIGHTINGALE was appointed as the Chairman of the Remuneration Committee with effect from 31 May 2019.

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.

The Company Secretary is responsible for taking and keeping minutes of all Board and Board committees meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

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 four Board committees, namely, the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee and the Finance Committee, for overseeing particular aspects of the Company's affairs. The majority of the members of each Board committee are INEDs.

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 (Chairman of the Audit and Risk Committee), Dr. Roger L. 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.

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 available on the websites of the Company and the Stock Exchange.

The Audit and Risk Committee held five meetings during the year ended 31 December 2019. 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 2019 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 2019 and annual results for the years ended 31 December 2018 and 2019, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditor. 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. Periodically, members of the Audit and Risk Committee visited the Company's projects to keep abreast of their development.

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 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.

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.

Remuneration Committee

The Remuneration Committee currently consists of three members, namely Mr. Anthony J. L. NIGHTINGALE (Chairman of the Remuneration Committee), Mr. LO and Professor Gary C. BIDDLE. The majority of the members of the Remuneration Committee are INEDs.

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 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 evaluate and make recommendations on employee benefit arrangements.
- 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 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 three meetings during the year ended 31 December 2019. 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 and senior management in consideration of their duties, responsibilities and market conditions; as well as the incentive plans for the employees of the Group.

Nomination Committee

The Nomination Committee currently consists of three members, namely Mr. LO (Chairman of the Nomination Committee), Sir John R. H. BOND and Professor Gary C. BIDDLE. The majority of members of the Nomination Committee are INEDs.

The primary functions of the Nomination Committee are:

- To review and make recommendations to the Board on the structure, size and composition of the Board.
- To identify and recommend to the Board individuals suitably qualified to become members of the Board.
- To assess the independence of INEDs and make recommendations to the Board on the appointment, re-appointment of Directors and succession planning for Directors.
- To formulate and review the Board Diversity Policy.

The terms of reference of the Nomination Committee are published and available on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting during the year ended 31 December 2019. 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. A summary of the Board Diversity Policy is set out in the "Board Diversity" section on page 54.

The Nomination Committee has a policy for nomination of directors. 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 individuals nominated for directorship, the Nomination Committee considers, among other criteria, factors including reputation for integrity, accomplishment, experience and reputation in the real estate industry, time commitment and attention to the businesses of the Company and its subsidiaries, as well as diversity of perspectives, including the measurable objectives stated in the Board Diversity Policy.

Finance Committee

The Finance Committee currently consists of six members, namely, Mr. LO (Chairman of the Finance Committee), Mr. Frankie Y. L. WONG (Vice Chairman of the Finance Committee), Sir John R. H. BOND, Professor Gary C. BIDDLE, Mr. Anthony J. L. NIGHTINGALE and Mr. Douglas H. H. SUNG.

The primary functions of the Finance Committee are to stipulate and monitor the financial strategies, policies and guidelines of the Company, review and monitor the Company's financial performance and performance of the Chief Financial Officer. In June 2015, the Board expanded the terms of reference of the Finance Committee to include the functions and duties of an investment committee.

The Finance Committee held two meetings during the year ended 31 December 2019. During the year ended 31 December 2019, the Finance Committee had reviewed the financial policies and guidelines of the Company; considered and approved the financial strategies and objectives recommended by the Chief Financial Officer; and recommended to the Board in respect of the investment and disposal of property projects.

Chairman and Chief Executive

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

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 2019.

To comply with code provision A.6.4 of the CG Code, the Company has established and adopted a Code for Securities Transactions by Relevant Employees (as defined 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 2019.

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 2019.

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 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 109 to 112.

Risk Assessment and Management

Strategic planning

In 2019, 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 2019, 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. 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. With the amendments to Appendix 14 of the Listing Rules, 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 Chief Internal Auditor 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 are set out in the Risk Management Report.

Internal Controls

During the year ended 31 December 2019, management and the Internal Audit and Risk Department 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 2019, Chief Internal Auditor functionally reported to the Chairman 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 Internal Audit and Risk Department 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. 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 2019, the Internal Audit and Risk Department 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.

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, 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. Selected staff members are designated as ethics experts, whose mission is to enhance the ethical awareness and standards of the Company by providing coaching and training to other staff. Ethics training is developed by the Human Resources Department and various training sessions were delivered to staff during 2019.

Before the end of each year, all staff of manager grade and above, together with other selected staff, must complete an on-line declaration of their compliance with the Company's Code of Conduct and Business Ethics in all their business dealings. An online refresher course was also included at the same time.

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 agreements in strict compliance with the Company's Code of Conduct and Business Ethics, unless their own business ethics policies shall be more stringent than that of the Company's.

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 hotlines and special e-mail addresses 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.

The Ethics Committee also issued an Irregularity Report 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 2019 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	6.3
Review of interim report for the six months ended 30 June 2019	1.2
Non-audit services:	
Issue of comfort letters in respect of senior notes of the Company	1.4
Issue of letters of indebtedness statement and working capital statement in respect of the major transactions	1.9
Tax compliance review and advisory services	2.4
IT consulting service relating to the China Xintiandi business intelligence platform	1.5
Others	1.1
TOTAL	**15.8**

Annual Remuneration of Directors and Senior Management

The remuneration of the Directors and senior management of the Company is determined in accordance with the Company's remuneration policy and structure.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2019 is set out below:

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

Details of the remuneration of the Directors for the year ended 31 December 2019 are set out in note 10 to the consolidated financial statements.

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 47.

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. The goal of our communication activities is to provide a true and fair view of the Company. 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, since January 2013, the Company has been disseminating information regarding the monthly sales information in the form of announcements through the electronic publication system of the Stock Exchange as well as the website of

the Company since January 2013 for equal, timely and effective access by the public. As the Group is transforming into a commercial focus property developer, owner, operator and asset manager and less reliant on residential sales, the Company will change the announcement of contracted sales figures from monthly basis to quarterly basis from 2020. Announcements regarding the quarterly sales updates 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 2019, Shui On Land Limited was awarded "Best Investor Relations Company – Hong Kong" in the Asia Excellence Recognition Award by Corporate Governance Asia. Mr. Douglas Sung, Executive Director and CFO was awarded "Best CFO – Investor Relations – Hong Kong" and the Investor Relations team was awarded "Best Investor Relations Professional – Hong Kong" in same ceremony. In the same year, the Company also received "The Most Remarkable Investor Relations Recognition Award – Main Board Category" organised by Quan IR Award.

Major Investor Relations Events in 2019/2020:

2019	Event	City
January	UBS Greater China Conference	Shanghai
March	2018 Annual Results Announcement Roadshow	Hong Kong, Singapore, London, Amsterdam
May	BNP Paribas Corporate Day	Hong Kong
June	Citi Hong Kong/China Property Conference	Hong Kong
August/ September	2019 Interim Results Announcement Roadshow	Hong Kong, Singapore
December	UBS Global Real Estate CEO/CFO Conference	London
December	Europe Equity, Fixed Income, ESG Roadshow	London, Amsterdam, Frankfurt
2020	**Event**	**City**
January	UBS Greater China Conference	Shanghai

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. With a free subscription, registered shareholders and investors can receive automatic email alerts and press releases on the Company's public announcements. 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 numerous road shows and participated in investor conferences during the year ended 31 December 2019. The management and the investor relations team met hundreds of investors personally to discuss the Company as well as its development and strategies 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 and the Finance 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.

To enhance communication with shareholders at the Company's annual general meeting and extraordinary general meetings, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Most of the Directors were present at the 2019 AGM. The general meetings provided shareholders with a useful forum to exchange views with the Board.

To provide more direct communications with the Company's shareholders, a Networking with Shareholders session was conducted immediately after the 2019 AGM. During the session, shareholders had the chance to discuss matters directly with the senior management of the Company, have their questions answered and learn about the latest business initiatives and long-term development strategies of the Company. Networking opportunities held by the Company were well attended by the Company's shareholders.

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 No. 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 two 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.

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 2019, 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 2019.

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. 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.

RISK MANAGEMENT REPORT

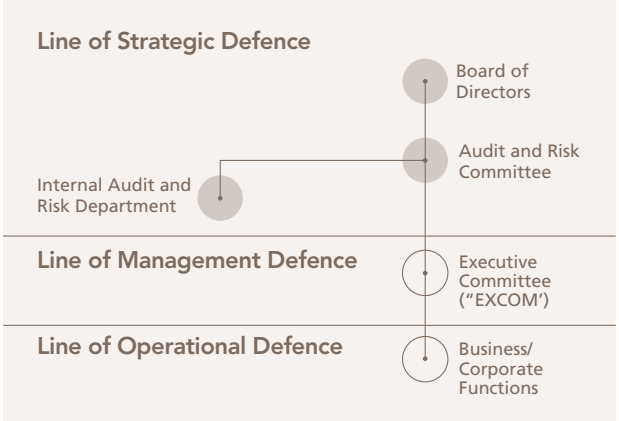
The Company is committed to continual improvement of its risk management and internal control system to ensure the long-term sustainability of its business.

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 People's Republic of China. The Company's internal risk management system exceeds the regulatory requirements and was instituted to enhance the risk management of the Group. With the amendments to Appendix 14 of the Listing Rules, 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.

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



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 carries out the role of an independent assessor. It performs analysis and independent appraisals to assess the adequacy and effectiveness of the Company's risk management framework and internal controls. The Internal Audit and Risk Department reports the results of the independent risk and control assessment to the EXCOM and provide a summary to the Audit and Risk Committee.

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 Internal Audit and Risk Department.

(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 Internal Audit and Risk Department 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 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 Internal Audit and Risk Department.

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 mis-statement or loss, as it is designed to manage rather than eliminate the risk of failure in achieving the business goals of the Company.

SUSTAINABLE DEVELOPMENT REPORT

Shui On Land (SOL) provides urban solutions that foster sustainable urban living, enhance local culture and create vibrant communities for cities in China.

We have invested in, developed and managed projects in China for many years. This has given us unique expertise in providing sustainable urban solutions. And we firmly believe that going forward, the need for sustainable development – and their value – will only increase.

Key to sustainable urban solutions is the shared Shui On Spirit of our dedicated colleagues. This includes a dedication to effective master planning, and to thinking creatively to design spaces which can be used in multiple ways. It requires a commitment to the generation of wonderful public places, to care for our history and culture and to environmental sustainability. These factors apply to all of our endeavours, from a 50-hectare multiphase community development to a single-block urban regeneration. Wherever we develop, these intentions remain.

The Company approaches sustainability with a comprehensive approach. From planning, design, to construction and operation, we strive to provide a sustainable lifestyle to our customers and users of our developments, as well as communities we serve. Beyond being green, we have also taken up health and wellness as part of our overall comprehensive approach.

Sustainable Development Committee and its Commitment

Our Sustainable Development Committee – established in 2006 and led by senior management, with participation by relevant departments – meets quarterly to discuss sustainability issues, to propose and adopt policies, to monitor our sustainability performance, and to ensure the effectiveness of sustainability measures in daily operations. The Committee also promotes awareness of sustainable practices within the Company and among our stakeholders. Through these actions, the Committee upheld our company-wide commitment of sustainable development.

In order to broaden our sustainable development goals, we have reviewed our strategies and have clarified and expanded their implementations within our company. In 2020, we will adopt a new 5C strategy: Clean, Culture, Community, Care and Corporate Governance. This is central to our new and enhanced commitment to sustainable development.

Key Achievements of the Group's Sustainable Development in 2019

SOL achieved outstanding recognitions in 2019:

World-class sustainable urban development solution provider

- Our KIC development in Shanghai – transforming an old industrial area into a knowledge-based community – won the Urban Land Institute (ULI) Global Award for Excellence and the ULI Asia Pacific Award for Excellence.
- Our Foshan Lingnan Tiandi Development – for the preservation and integration of a historic district into a new development in a historic district – also won the ULI Global Award for Excellence and the ULI Asia Pacific Award for Excellence.

Healthy and Liveable community leader

- The Shanghai Xintiandi Community became the world's first WELL Community-certified project.

Green building achievements

- Ranked first among developers in mainland China in terms of total building area awarded LEED-ND Stage 2 Gold level Certification;
- Ranked first among developers in Shanghai in terms of projects awarded China Green Building Label (Operation) Certifications in 2019;
- Our total carbon emissions in 2019 represented a 31.58% decrease from our baseline year 2011.

Our first green bond

- Under the Shui On Land Green Finance Framework, we issued our first green bond in November 2019, with an issue size of US$ 300 million.

Response to Stakeholders: Shui On Land's 19 material issues in 2019

We are committed to engaging with our stakeholders regarding sustainability issues. We promote two-way communication with the government, shareholders, customers, partners, the community and the media. We respond to their expectations and requirements with specific practices, and work together to drive our sustainable business development.

In compliance with the materiality principle of the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong, we identify sustainability issues that have material impacts on our business and stakeholders. We take into account sustainable development trends, national policy, industry characteristics and our own development strategy.

The results of this materiality assessment form our sustainable development priorities:

Environment

- Green building and healthy life
- Carbon emission and energy intensity reduction
- Indoor air quality
- Waste management
- Water conservation
- Climate change

Social

- Diversity and equal opportunities
- Occupational health and safety
- Employee training and development
- Employees' interests and welfare
- Master planning and neighbourhood development
- Health and safety of tenants and customers
- Innovation and entrepreneurship
- Community-building
- Customer privacy
- Cultural inheritance and integration
- International cultural exchange

Governace

- Corporate governance
- Business ethics and anti-corruption

ENVIRONMENT

Environmental and ecological protection is the foundation of sustainable social and economic development. Our sustainable development goals are implemented via our Project Environmental Management mechanism.

In 2019, over 80% of our completed commercial property portfolio held by the Group with a total leasable gross floor area (GFA) of 1,131,000 sq.m. had obtained various green building certification and/ or WELL community certifications. Twelve commercial projects were equipped with energy consumption and water resource monitoring systems. The carbon emissions per unit area of our owned projects have decreased by 3% from 2018, and by 31.58% from our baseline year 2011. We also achieved a breakthrough by acquiring the world's first WELL Community certification. We strive to maintain our impulse in promoting the Group's progress in environmental protection.

1 Environmental Goals and Management Mechanism

To reinforce the Group's commitment to environmental protection, we have Six Major Guidelines of Sustainable Development in 2017, which specifies the implementation method and development director of the green and healthy philosophy (see below). Teams have annual targets, and our effectiveness and progress are reviewed regularly.

1. All large-scale master planning projects, majority owned and managed by Shui On Land, to receive LEED-ND certification
2. Actively strive for healthy building certifications
3. All new commercial projects and furnished residential projects, majority owned and managed by Shui On Land, to achieve China Green Building Label or LEED certification, and strive for certification throughout their lifecycle
4. By 2021, carbon emissions per unit area of all Shui On Land owned and operating real estate developments to be reduced by one-third from 2011
5. All new commercial projects owned and operated by Shui On Land to be equipped with systems to monitor energy and water consumption
6. All new office building projects owned and operated by Shui On Land to display environmental health indices to the occupants

The Group has set up the "green inventories" management mechanism with reference to the green and healthy building certification standards. A digitalised and dynamic management platform is in place to monitor the resources consumption of projects and support the development of improvement programmes to improve the environmental performance of our projects as we seek to foster a green, clean, healthy and liveable community.

2 Green Building and Community

To pursue the Group's vision of building green cities, we seek to achieve world-class green and healthy building certifications. By adopting eco-friendly building designs and constructions practices, leveraging advanced construction technologies, and installing energy consumption monitoring systems in all new projects under construction, the Group consistently identifies environmental risks in new building fields and seeks opportunities to continuously improve the environmental performance of buildings.

Our projects have, variously, achieved LEED, China Green Building Label, Green Building Evaluation System (BREEAM) and WELL Community Standard certifications.

Aligning with the government's overall urban planning, the Group's Foshan Lingnan Tiandi, featuring the integration of new and nostalgic buildings, and the first intelligent and knowledge-based community developed in Shanghai KIC, have been honoured with the 2019 ULI Global Award for Excellence and the 2019 ULI Asia Pacific Award for Excellence. The Urban Land Institute (ULI) is one of the most authoritative institutes in the global real estate market.

Of our commercial projects, a total area of 1,131,000 m² leasable GFA – more than 80 per cent of our completed commercial held for long-term investment purpose – is green-certified or WELL Community certified. In addition, a total of 490,000 sq.m. leasable GFA of commercial property under development is pre-green certified. This makes us the highest-ranked among developers in mainland China in terms of LEED-ND Stage 2 Gold level Certification. And we have developed the largest number of China Green Building Label (Operation) in Shanghai.

Most importantly, the Group's Shanghai Xintiandi Community was awarded the world's first WELL Community-certified project, making SOL the world's first developer to acquire WELL Community certification. Health-focused features – relating to air, water, nourishment, light, movement, thermal comfort, sound, materials, mind and community – improves the users' health, comfort and happiness.

The following green certifications have been awarded to our projects and buildings since our establishment:

LEED Certification

	PLATINUM	GOLD	SILVER	GOLD (pre-certified)	SILVER (pre-certified)
LEED for Core and Shell (LEED-CS)	3 projects 53,764m²	13 projects 909,899m²	2 projects 138,919m²	11 projects 1,328,453m²	1 projects 23,301m²

	GOLD	SILVER
LEED for Commercial Interiors LEED-CI	1 project 1,940m²	2 projects 3,069m²

	GOLD
LEED for Neighbourhood Development LEED-ND	6 project 9,050,000m²

China Green Building Label certification

THREE-STAR	TWO-STAR	ONE-STAR
7 projects 310,210m²	18 projects 2,114,768m²	4 projects 524,796m²

BREEAM Green Building Evaluation System (BREEAM) certification

GOOD
1 project 247,140m²

WELL Community Standard certification

SILVER
1 project 262,677m²

Application of Green Technologies

To ensure our building projects are in harmony with nature, the Group has incorporated sustainability in our designs. We have proactively adopted Building Information Modelling (BIM) to formulate accurate plans to minimise the use of natural resources and materials, and to reduce pollution in an effort to promote the development of green and healthy buildings.

During design and construction, local ecosystems and biodiversity are key. We investigate project sites and their surroundings at the planning stage, and fully consider the impact of our work on the ecosystem. According to our The Practice of Use and Operational Regulations of Green and Environment-friendly Building Materials, only products accredited with Type I China Environmental Labelling Product Certification (Ten-Ring logo), approved by the Ministry of Environmental Protection, are permitted for construction. Material sampling is performed regularly.

To mitigate impacts on the ecosystem, contractors are required to assess the radioactivity of materials and the concentration of hazardous gases. Environmental monitoring reports must be provided during project delivery.

Climate change can have significant implications for real estate investments. Our operations therefore take climate resilience into consideration, to mitigate the physical risks of extreme weather, rising temperatures, heavy rainfall and severe hurricanes.

To support the national policy on carbon emissions, we have adopted effective building technologies and introduced energy-efficient and renewable energy facilities throughout project lifecycles.

Case Study

Wuhan Tiandi HORIZON – North Shopping Mall Roof Garden

We built a roof garden terrace at the Horizon – North Shopping Mall. The largest facility of its kind in Wuhan, this is the first park-style family shopping mall in the area, with a GFA of 72,000 m^2.

This sustainable community project combines high-end commercial and residential spaces with a feel of agricultural landscapes. A rain garden with a multiple seepage ground system improves runoff, to mitigate the impact of heavy rain on the operation of the buildings and to help protect the local ecosystem. Customers can walk to the roof garden from the indoor shopping area via a terraced bridge. Ventilation and a design which harnesses natural lighting in the roof garden provides a comfortable breathing zone and reconnects people with nature.

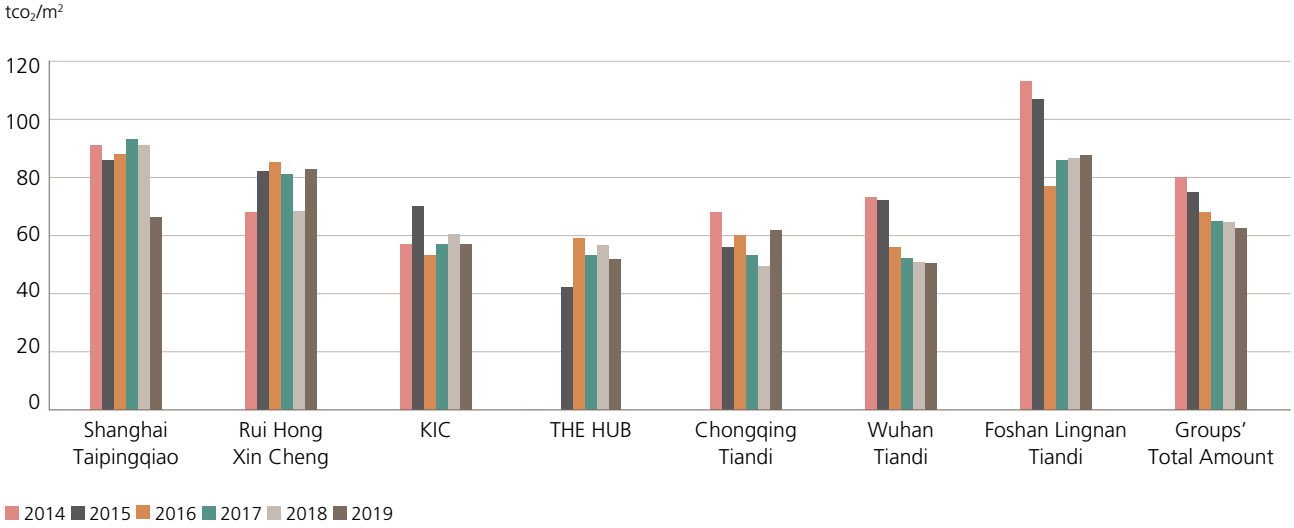
3 Carbon Emission Management[1]

To closely monitor the progress of its green construction and energy-saving efforts, the Group has continued to commission a third-party certification party since 2010 to quantify and monitor the greenhouse gas emissions of the Group's properties in regular operation. In 2019, the Group recorded total carbon emissions of 101,964 t CO^2 equivalent and emissions per unit area of 62.60 kg CO^2 equivalent / m^2. This represents a decrease of 3% from 2018, signalling six consecutive years of improvement.

Carbon emissions per unit area were 31.58% lower than our baseline year of 2011. We are making excellent progress towards our goal of reducing carbon emissions by one-third by 2021.

CO_2 Carbon emissions ↓ 31.58%

Carbon Emissions per m^2 of Our Properties, 2011-2019



Besides, the Group also made significant progress in reducing our resource consumption and emissions in 2019:

Natural gas consumption ↓ 31.6%

Diesel consumption ↓ 6.5%

Gasoline consumption ↓ 17.4%

Sulphur oxides emissions from gasoline ↓ 24.5%

Total sulphur oxides emission ↓ 21.5%

Total water consumption ↓ 8.2%

Note

1 Guided by ISO14064-2006, the carbon emission data of projects completed within one year is not required to collect.

4 Green Finance

Innovative green financing supports our commitment to green, healthy and sustainable communities. We issued our first green bond this year under the Green Financing Framework, with an issue size of US$ 300 million and expiration in 2023.

Part of the proceeds has been used to fund the acquisition of 5 Corporate Avenue project, which has LEED-CS Gold certification and China Green Building three-star certifications. The balance of the proceeds will be applied to other green projects, as defined by our Green Financing Framework. Details of the use of green bond proceeds in 2019 are as follows:

			Amount (US$ million)
Details of the use of green bond proceeds	Inflow	Outflow	Balance
Net proceeds from green bond	296	–	296
Acquisition of 5 Corporate Avenue project	–	-255	41
BALANCE OF GREEN BOND PROCEEDS			**41**

5 Green Supply Chain Management

We support local procurement, where 100% of our new suppliers during the year were from mainland China. The Group actively extends its sustainability efforts to the value chain via an effective management system and helping our partners to be people-oriented and green.

The Group's Corporate Green Procurement Guidelines and Fundamental Construction Work Requirements provide criteria for the selection of suppliers and contractors, and help to identify and assess potential risks. We have detailed requirements regarding construction safety, environmental protection for sites, temporary facilities and the welfare of workers. Suppliers and contractors are required to sign and comply with our Code of Conduct and Business Ethics.

Green Construction

We established a green construction management system, so as to effectively monitor the discharge of wastewater, exhaust gas, solid waste and other emissions generated by construction sites, according to the Green Construction Code for Building Projects (GB/T50905-2014).

We strictly control the waste generated by contractors during construction and set goals to reduce such waste. Construction waste and domestic waste is sorted and recycled on-site.

We monitor our contractors' HSE management, environmental protection performance, employee welfare, occupational health and safety management, environmental pollution prevention and waste reduction. Through these efforts, we seek to work with our contractors to enhance environmental performance in construction process and drive sustainability progress in our value chain.

Management of Green Construction Requirements for Suppliers:

- Planning for Green Construction
- Requirements for Site Safety, Environmental Protection and Workers' Health (HSE)
- Shui On's Standard Material and Workmanship Requirements
- Requirements for Building Materials of Green Environmental Projection Projects
- Shui On's Fundamental Construction Work Requirements – HSE Chapter

To ensure continual compliance, we assess contractors every month according to criteria in our HSE Regulations. Our internal audit also verifies compliance. Contractors who fail to meet the requirements will have their HSE funds temporarily withheld until the issue is properly addressed.

6 Promoting Green and Healthy Concepts

In 2019, we focused on how environmental protection benefits the health of the community. We actively promoted green offices, established a green and low energy consumption culture, and introduced environmental protection concepts to tenants and customers via our property management services.

Green Office

Our Environmental and Occupational Health and Safety Objectives, Indicators and Management Plans and 2018 Evaluation Report on the Compliance of Feng Cheng Property Management promote energy conservation and environmental protection. We encourage employees to exercise environmental protection practices, to instil sustainability concepts in day-to-day work.

We have improved energy efficiency in our buildings, such as upgrading LED lighting systems and using energy-efficient escalators to reduce energy consumption and corresponding carbon emissions. We regulate air-conditioning and lighting, eliminate single-use items and plastic products, implement paperless initiatives and post environmental protection labels in offices to raise employees' awareness.

Our subsidiary Feng Cheng Property Management leverages our Energy Consumption Management Platform to manage conservation, enhance awareness and explore and develop new applications of conservation technology.

The Feng Cheng Property Management and Construction Team has earned ISO 14001 Environmental Management System (EMS) certification, reflecting its success in improving environmental performance in line with international standards.

SOCIAL

The Group pays close attention to care and support to our employees, customers and our communities. We provide diversified training for employees for them to grow alongside the Company. We focus on our customers by creating excellent customer experience via multiple channels. In addition, the Group respects cultural heritage and integration: we actively encourage multicultural communication and experiences, devotes ourselves to community welfare, and is committed to building a society with a sense of resonance, belonging and inclusiveness.

1 Employee Care

Employees' Interests and Benefits

We respect the human rights and the fundamental interests of all employees. All regular employees have labour contracts and we pay social insurance contributions for full-time employees.

Placing great value on employees' hard work as well as their physical and mental health, the Group strives to improve benefits to the greatest extent permitted by existing resources and law, and support our employees' wellbeing. In 2019, via the Shui On Recreation Club, we organised activities such as coffee-tasting workshops, dental health seminars, shoulder and neck massage sessions, and a thank-you card initiative to spread messages of love and care. These activities enhance interaction among colleagues and enrich their lives. We keep communication channels open and support employees exercising their citizenship rights under the law. We also encourage negotiations, consultations and exchanges.

The Employer of Choice

Strictly abiding by the Labour Law of the People's Republic of China, the Group recruits, appoints, evaluates and promotes staff based on the principles of openness and fairness. Our human resources system does not discriminate based on race, belief, colour, gender, age, nationality nor religion. A combination of internal and external recruitment methods has been adopted and talents not available internally will be recruited externally.

The Group strictly prohibits employment of child labour or forced labour. Each staff member is given the right to decide on his own and transfer, reassignment and promotion opportunities are also provided based on an individual's attitude, effort, ability and performance.

Ensuring Occupational Health and Safety

We require all staff to strictly abide by health and safety requirements in the workplace. We offer personalised health checkup packages based on each empolyee's individual characteristics. And we enhance those checkups by referring to past physical examinations, improving test indicators and allowing employees to choose options suited to their needs, from a larger pool of service providers.

In terms of occupational safety and protection, in 2019 we formulated the Environmental and Occupational Health and Safety Objectives, Indicators and Management Plan (2019), and adopted documents such as the Code of Safety Management and Green Building Construction Planning. These regulate matters related to safe construction and occupational health, and delegate managerial authority to the engineering management department. In the early stages of each project, we set specific safety goals, including zero fatalities, and notify the contractor of these goals. This protects and improves the wellbeing of employees and construction workers.

Our continually improved EHS management system handles tasks such as occupational health and safety risks. We enhance the safety awareness of contractors' construction personnel via training, monthly assessments and internal audits. In addition, Feng Cheng Property Management has also established an effective management system and has obtained OHSAS 18001 occupational health and safety management system certification. During the reporting period, the Group's employees did not have any work-related fatalities.

Building a Platform for Talent Development

Human resources are our most important asset. We focus on building relationships, developing a talent system centred on staff development, and helping each employee grow.

The Group has established the Talent Development Committee to formulate talent development goals at the organisational level that encourage employees to grow with us. The Group continues to provide highly promising job opportunities for young people through the our Management Trainees Program. Through the Shui On Academy, a wide variety of coaching and training activities are organised for management trainees to help these future leaders' transition from the campus to the workplace, and become acquainted with our business and culture.

Shui On Academy

The Shui On Academy, established in 2008, improves the skills and potential of employees at different levels through a diverse range of systematic strategy courses, nationwide training and O2O learning programmes. In 2019, the Academy revamped the Leadership Development Project to cultivate functional heads at the corporate/project level, with the objective of making their career path more accessible. Designed based on two key dimensions of people and matters, the course focuses on practical challenges, enabling employees to apply what they learn to business and actual management.

2 Consumer Care

Superior Consumer Service

To promote the growth of Shanghai's regional economy and support its evolution into an international consumer city, Shanghai Xintiandi was among the first to pilot a demonstration zone, in August 2019.

To showcase the unique attractions of Shanghai nightlife, a first, vibrant section of a segmented pedestrian street was marked off and opened for pedestrians for 12 weekends. The pilot programme engaged local residents and contributed to a more vigorous community. Nearly 700,000 people visited over the 24 days – an average increase of 17.8% in visitor flow – and sales rose by 20.5% compared to the period before the programme.

In keeping with our brand's spirit of Innovation Quality Excellence, we launched the Bauhinia Butler mobile app in 2019. Based on our Bauhinia Premier Service, it unites our residential and commercial platforms by linking to our customer loyalty programme iTiandi.

As of 31 December 2019, the Bauhinia Cloud platform possessed a total user base of over 19,000. This was a year-on-year increase of 35% from 2018, reflecting an improvement in tenant satisfaction and loyalty.

A third-party customer satisfaction survey reflected higher overall customer satisfaction, residential customer satisfaction and shopping mall customer satisfaction rates across the Group's properties, rising to 92 from 2018. Across the Group, any customer complaint received will be promptly reported to the project team and handled by the management as appropriate. In 2019, the Group received a total of 352 complaints from customers, with reaching 100% of the cases successfully managed leading to an overall customer satisfaction rate of 94.1, representing an improvement of 3% from the same period last year.

Feng Cheng Property Management was ranked among the Top 500 Property Management Companies in China in 2019. It also won AAA Corporate Credit Rating and was recognised as a 5-star property management service company in Shanghai and an excellent commercial and office management service company in China.

Top 500 Property Management Companies in 2019

Certificate of China Property Management Brand Value

Customer Health and Safety

The Group has developed a series of advanced management systems certified to ISO 9001 quality management system standards. To reinforce our philosophy of providing valuable, caring and hassle-free spaces in residential, commercial and office projects, we focus on the details of buildings and services. This includes improving indoor air quality and furnishing the spaces thoughtfully to provide health and safety benefits for customers.

3 Cultural Inheritance and Integration

Firmly committed to its vision with strong professional dedication, the Group has been an active player in urban renewal. Our Tiandi projects preserve the city landscape, and enshrine and promote culture. They support sustainable urban development by perfectly integrating traditional culture with modern life.

In 2019, Foshan Lingnan Tiandi won the ULI Global Award for Excellence, confirming the project's success in preserving local history and maintaining cultural heritage. This annual award is one of the real estate industry's topmost accolades.

Building on two decades of experience in urban regeneration, we won the HongShouFang Urban Regeneration Project in Changshou Community, Putuo District, Shanghai and the Panlong Urban Village Redevelopment Project in Qingpu District, Shanghai.

We will continue to focus on urban regeneration opportunities. Our expertise and innovative concepts, combined with local strengths, will create new cultural and social destinations and an international, commercial community.

Creating a New Social Culture

People provide the soul that makes an area and a city truly vibrant. To promote cooperation and stimulate creativity, we are committed to building connections between people, between people and their communities, and between people and their city so as to promote cooperation and stimulate creativity. In 2019, while creating the cities destination of choice for social, arts and cultural experiences, the Group encouraged cultural innovation with the participation of cultural institutions. And, in line with the philosophy of "Created in China", we encouraged local brands and supported their growth into international markets.

Promoting Diverse and International Cultural Exchange

To contribute to a cohesive, engaged community, we organised more than 1,100 cultural events in 2019. Experiences such as the XINTIANDI Festival, Tiandi World Music Festival and Lumieres Shanghai Festival supported an inclusive community and demonstrated the diversity of international culture.

Integrating Culture and Business

Shanghai Xintiandi's "X'MAS AMUSEMENT" was the first stop of China Xintiandi's 2019 Lumieres Shanghai Festival. Shanghai Xintiandi teamed up with well-known domestic and foreign artists and art institutions to present eight creative light works, exhibited for free. The festival enabled the public to closely experience artistic design revealed the beauty of Shanghai's light and shadows, and ignited curiosity about urban culture.

Since being held in Xintiandi in 2011 for the first time, XINTIANDI and Shanghai Fashion Week have been the platform to present the latest in fashion for nine consecutive years. A renewed three-year cooperation agreement begins a new chapter in our partnership. We will unite to focus on sustainable fashion, to create a social platform on which brands, designers and consumers communicate, to grow, and to encourage innovation in China's fashion industry.

Advocating Green Culture

The Group advocates green and healthy living to tenants, customers and the wider community. When signing a tenancy contract, tenants are required to acknowledge their understanding of the Group's Code of Conduct and Business Ethics, especially the terms of the Commitment to Environmental Responsibility. Any non-compliance is deemed a breach of contract.

We create a pleasant, green environment in our projects, and provide tenants and customers with comprehensive environmental management support. Green-themed events provide customers with a full range of green, healthy and caring products and services.

For example, to promote the green concept at a community level, Feng Cheng Property Management held Earth Day events during the year by combining online subscription for tree planting with offline activities, including seminars on waste separation, puzzle games, and tree planting activities.

4 Community

Innovating for The Community

The Group promotes the spirit of volunteerism and encourages staff involvement in charity activities. We work with charity organisations that help disadvantaged groups affected by urban development.

This year, a donation campaign and charity bazaar were launched by the Shui On Seagull Club in partnership with XINTIANDI's Lakeville community. The proceeds helped 375 underprivileged children from the Dai ethnic group in Yunnan buy back-to-school stationery and books.

We helped bring about a strategic partnership between the China Foundation for Disabled Persons and the China Global Philanthropy Institute, to train professional talents in the philanthropic sector. We have supported the foundation for more than a decade and, over the past three years, have trained nearly 100 of its middle and senior managers. In 2019, we developed training for more than 40 middle and senior managers, encouraging them to innovate and improving their professional competence.

During the reporting period, our charitable donations totalled RMB3,813,900[2]. The Seagull Club chalked up 360 volunteer service hours, involving 120 volunteers.

Note

2 The total amount of charitable donations includes RMB23,800 contributed by employees, RMB3,750,800 contributed by the Company, and the equivalent worth of RMB39,300 in in-kind donations.

Innovation and Entrepreneurship Ecosystem

KIC is a large-scale knowledge community between several key universities in Shanghai. Through design, planning and operation, it has created a multi-functional sustainable community that integrates campuses, communities and parks. The development's "innovation ecosystem" – driven by knowledge and technology – creates a high quality, vibrant and sustainable environment that will attract talent.

With the help of the government of Yangpu District, a manufacturing site has been converted into a modern science and technology innovation centre, and realised the regional transformation from an industrial economy to a knowledge economy.

In planning KIC, we envisaged a community environment, sustainable buildings, green spaces, residential areas, businesses, schools, sports and leisure facilities, and activity areas. The centre provides an experimental environment and the foundation for a live-work-play-learn community that combines business growth and individual development.

The "InnoSpace" within KIC is an accelerator for high-tech startups. It provides physical space, infrastructure, technical support, financial services, talent recruitment, marketing and other value-added services for technology innovators.

GOVERNANCE

Sound corporate governance drives and sustains our business. We abide by the highest business ethics, integrating them into daily operations to ensure our compliance. This demonstrates our commitment to fulfilling corporate social responsibility and boosts the confidence that stakeholders have in us.

Please also refer to the "Corporate Governance Report" in this Annual Report for other details on governance.

1 Environmental and Social Compliance

Fulfilling our corporate social responsibility, the Group strictly observes all relevant laws and regulations. For environmental protection, we comply with the Law on Environmental Protection, the Law on Environmental Impact Assessment, and the Water Pollution Prevention and Control Law. In respect of social sustainability, we strictly follow laws and regulations in China relating to business operations, employees' interests, and community development, such as the Urban Real Estate Administration Law, the Contract Law, the Labour Contract Law and the Law on Prevention and Control of Occupational Diseases Accountability is also prescribed in the workbooks and management and operational indicator systems of our departments.

2 Anti-corruption and Integrity Compliance

Beyond abiding by applicable laws, regulations and normative guidance, we have a comprehensive corporate governance framework and comprehensive systems for risk management and internal control. The 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 (**www.shuionland.com/zh-cn/corporate/CodeOfConductBusinessEthics**) specifies the requirements with which employees and suppliers of the Group and its subsidiaries under different business circumstances must comply. Relevant codes are incorporated in employee handbooks and supplier contracts.

In 2019, the Group or its employees was not involved in any legal cases regarding corrupt practices. The Company also had an internal policy to ensure continued compliance with the applicable anti-money laundering laws and there was no pending or threatened investigation, action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the applicable anti-money laundering laws. In addition, the Group provides regular anti-corruption and anti-competition training for all employees. In 2019, the total training hours on anti-corruption amounted to 1,410 hours. New employees are required to attend an introduction to ethics during orientation. For any reported cases, we hold them in strict confidentiality and protect whistleblowers against any retaliatory actions to safeguard their rights and interests.

3 Responsible Marketing

When carrying out publicity and promotion, the Group strictly complies with the Advertising Law of the People's Republic of China and relevant regulations that govern the market conduct of real estate developers, including the Provisions on the Release of Real Estate Advertisements and Regulatory Measures on the Sale of Commercial Houses. When communicating with potential tenants and promoting commercial properties, we provide customers with genuine and complete information and ensure there are no unfair marketing practices or misleading information.

4 Customer Privacy

We comply with relevant regulations such as the General Principles of the Civil Law of the People's Republic of China, the Public Security Administration Punishments Law of the People's Republic of China, and the Tort Liability Law of the People's Republic of China. Provisions for customer privacy and confidentiality are also included in our employee handbook. We proactively inform customers of the terms of our Privacy Statement and obtain their acknowledgement when registering iTiandi membership accounts.

5 Crisis Management

The Group reviews and updates the Shui On Land Crisis Management Working Manual twice a year to enhance collaboration with stakeholders and protect our brand. Guided by our well-established crisis management system, we promptly established an emergency response team to fight the coronavirus (Covid-19) outbreak. Under this team's leadership, all of our projects have adopted stringent preventive and control measures, and standardised services, to provide a safe environment for our residents, tenants and customers. Different departments formulated short-term and long-term responses to secure the health and safety of tenants in terms of construction planning and operations.

In January 2020, the Group donated RMB 10 million to Wuhan for purchasing scarce supplies. In the meantime, we also implemented a rent reduction policy for our commercial projects, to support them to overcome the challenging conditions presented by the virus.

ESG-related risk management has been integrated into the Company's risk management system and processes. Please refer to the **"Corporate Governance Report"** and **"Risk Management Report"** in this Annual Report for details.

NEW SUSTAINABILITY JOURNEY

1 Unveiling the 5C Sustainable Development Strategy

In order to broaden our sustainable development goals, we have reviewed our strategies and have clarified and expanded their implementations within our company. The results will add discipline and encourage us to innovate.

In 2020, the new 5C strategy will drive our sustainable development. Its five components – Clean, Culture, Community, Care and Corporate Governance, represent our major long-term focuses. Under the new 5C sustainable development strategy, the Group will further determine its specific goals, and implement them step by step.

Clean

Follow green development and operation principles, create healthy lifestyle and promote sustainable urban development.

Culture

Respect and promote local cultural heritage, develop cultural content that celebrates local culture and create opportunities for international cultural exchange and dialogue.

Community

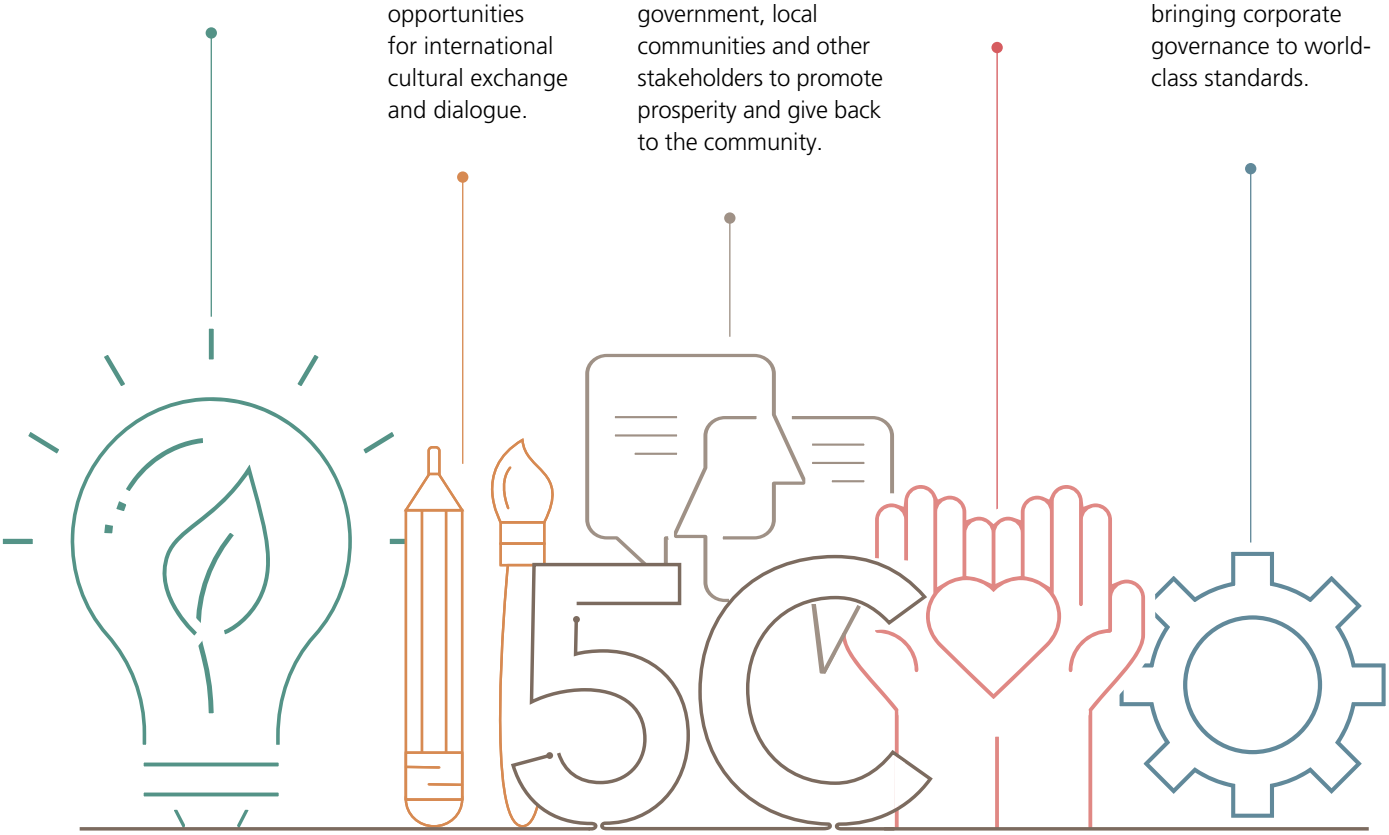
Create multi-function communities, build bonds among communities through live-work-play-learn concept and enhance connections with business partners, government, local communities and other stakeholders to promote prosperity and give back to the community.

Care

Foster a good and healthy working environment that inspires employees to develop their full potential and grow with the company.

Corporate Governance

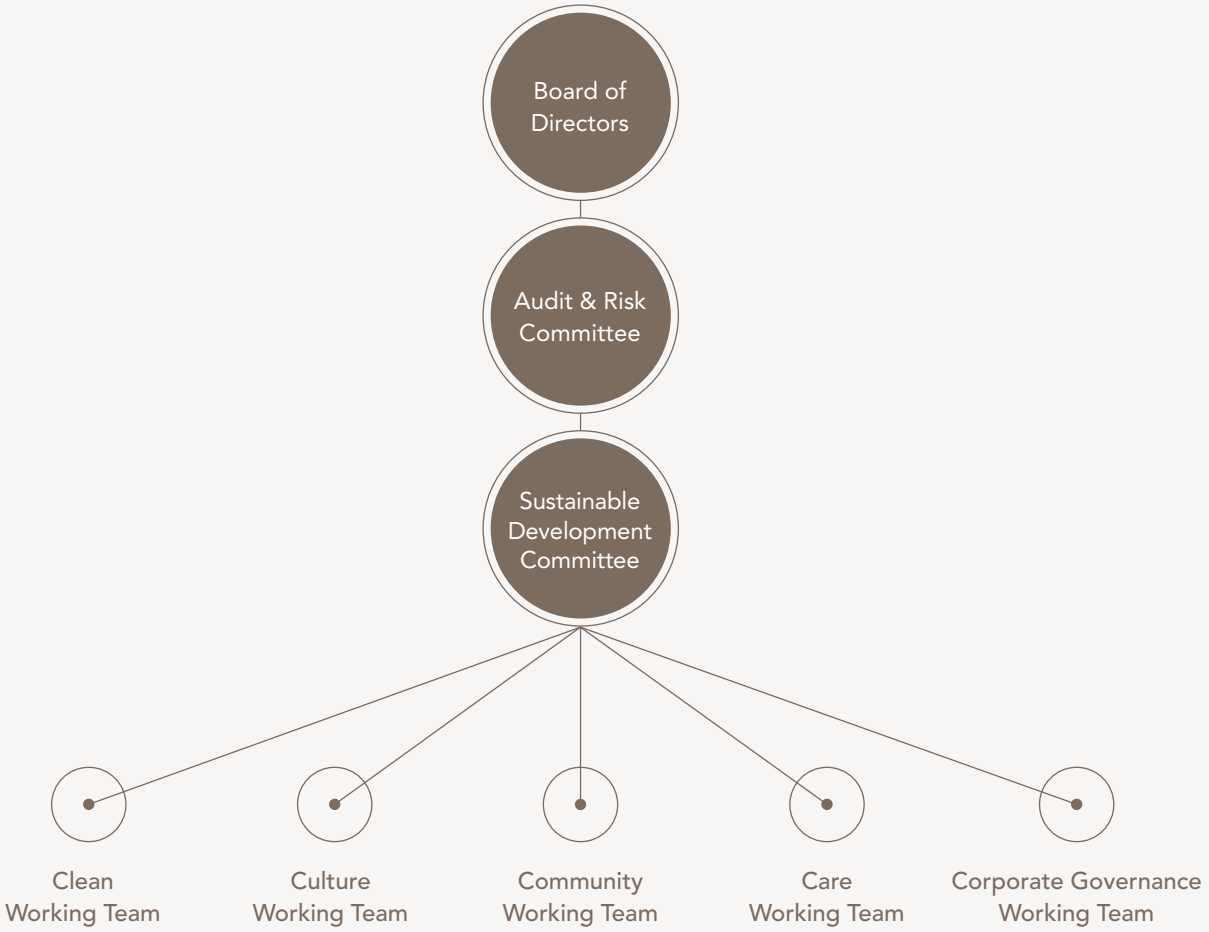
Create a corporate culture of integrity and dedication and follow sound corporate governance practices, with a commitment to bringing corporate governance to world-class standards.



SUSTAINABILITY STRATEGY

2 Sustainability Governance Structure

The Group's sustainability governance structure has been revamped to facilitate effective implementation of the "5C" sustainability strategy. The Board of Directors – our highest governance body – has overall responsibility for our sustainable development efforts. The Sustainable Development Committee –consisting of selected company directors and heads of corporate-level departments – meets regularly to discuss and make decisions on sustainability goals. The Committee directly monitors and guides our overall sustainability performance. 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 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. Each team reports its progress and status to the Sustainable Development Committee on a regular basis, and provides consolidated reports for review by the Audit and Risk Committee and for submission to the Board of Directors.



KEY PERFORMANCE TABLE

Environmental Performance Data

Indicator	Unit		Group's Total Amount 2019	2018	% Change
EMISSIONS					
Diesel consumption	litre		11,247	12,035	-6.5%
Gasoline consumption	litre		83,867	101,556	-17.4%
Sulphur oxides emissions from diesel	kg		0.18	0.17	5.9%
Sulphur oxides emissions from gasoline	kg		1.23	1.63	-24.5%
Total Sulphur oxides emissions	kg		1.42	1.81	-21.5%
GREENHOUSE GAS EMISSIONS					
Scope 1: Direct emissions of greenhouse gas	$kgCO_2$ equivalent		10,482,469	9,243,145	13.4%
Scope 2: Indirect emissions of greenhouse gas	$kgCO_2$ equivalent		91,483,559	97,923,674	-6.6%
Total greenhouse gas emissions (Scope 1 and 2)	$kgCO_2$ equivalent		101,966,028	107,166,819	-4.9%
Floor area covered by carbon emission verification	m^2		1,628,740	1,668,572	-2.4%
Greenhouse gas emissions per square metre of floor area (Scope 1 and 2)	$kgCO_2$ equivalent/m^2		62.60	64.23	-3.0%
NON-HAZARDOUS WASTE					
Total discharge of construction waste	Ton		39,125	37,776	3.6%
Total discharge of household garbage	Ton		80,144	68,853	16.4%
Total discharge of non-hazardous waste	Ton		119,270	106,629	11.9%
Property management area	m^2		6,940,399	6,593,458	5.3%
Discharge density of non-hazardous waste	Ton/1,000m^2		17.18	16.17	6.2%[3]
ENERGY CONSUMPTION					
Direct energy consumption	Diesel	MWh	112	122	-8.2%
	Gasoline	MWh	733	887	-17.4%
	Total direct energy consumption	MWh	844	1,009	-16.4%
Indirect energy consumption	Natural gas	MWh	18,171	26,576	-31.6%
	Power purchase	MWh	104,196	93,814	11.1%
	Total indirect energy consumption	MWh	122,368	120,390	1.6%
Total energy consumption	MWh		123,212	121,340	1.5%
Energy consumption density	MWh/1,000m^2		75.65	72.71	4.0%
WATER CONSUMPTION					
Total water consumption	m^3		1,330,098	1,449,626	-8.2%
Water consumption density	m^3/1,000m^2		816.64	868.25	-5.9%
Sewage discharge	m^3		1,197,088	1,303,165	-8.1%

Remarks:

1. There were no confirmed violations or complaints related to environmental protection which might have a significant impact on the Group in 2019.
2. The data on greenhouse gas emissions are listed as carbon dioxide equivalents and calculated based on the 2017 China Regional Grid Baseline Emission Factor for Emission Reduction Projects. The data have been verified by TUV Rheinland in Germany.
3. Direct energy consumption refers to consumption by the sites owned or controlled by the Group, including gasoline and diesel consumption; indirect energy consumption refers to consumption of energy purchased or acquired by the Group, including natural gas and power consumption.
4. The energy consumption is calculated based on the consumption of electricity and fuel as well as the relevant coefficients provided in the General Principles for Calculation of Comprehensive Energy Consumption (GB/T2589-2008).
5. The consumption of diesel and gasoline includes the consumption of fuels for keeping vehicles and other mechanical equipment in operation.
6. The statistical data on construction waste include but are not limited to the total discharge of concrete, construction scrap metal, cables, plastics, and demolition waste; the statistical data on household garbage include but are not limited to the total discharge of waste paper, waste edible oil, household garbage and kitchen waste generated.
7. In 2019, the Group did not have any problems in sourcing water that is fit for purpose, all of which was from municipal water.
8. The area used to calculate the density of greenhouse gas emission, energy consumption and water consumption is in accordance with the floor area of carbon verification project, which excludes all residence areas and a few hotels and performance centres.

Note

3 The area used to calculate the discharge density of non-hazardous waste is the management area of Feng Cheng Property Management. The increase in discharge density of non-hazardous waste is because in 2019, the property management area has been increased by 5.26% compared with 2018, and the renovation of existing projects also led to more construction waste.

Social Performance Data[4]

Indicator	Unit	Shui On Land – Property Development and CXTD	Feng Cheng Property Management team	Shui On Construction team	The Group's Performance in 2019	The Group's Performance in 2018	% Change
EMPLOYMENT							
Total number of employees	Person(s)	1,391	1,635	211	3,237	3,114	3.9%
By gender:							
Total number of male employees	Person(s)	515	1,034	156	1,705	1,647	3.5%
Total number of female employees	Person(s)	876	601	55	1,532	1,467	4.4%
By age:							
Total number of employees aged > 50	Person(s)	85	243	29	357	372	-4.0%
Total number of employees aged 30 to 50	Person(s)	1034	1,088	129	2,251	2,069	8.8%
Total number of employees aged < 30	Person(s)	272	304	53	629	673	-6.5%
Employee turnover rate	%	18%	25%	20%	22%	28%	-6.0%
By gender:							
Turnover rate of male employees	%	23%	23%	27%	23%	31%	-8.0%
Turnover rate of female employees	%	15%	28%	4%	20%	25%	-5.0%
By age:							
Turnover rate of employees aged > 50	%	19%	19%	0%	17%	25%	-8.0%
Turnover rate of employees aged 30 to 50	%	16%	24%	31%	21%	26%	-5.0%
Turnover rate of employees aged < 30	%	27%	31%	4%	27%	35%	-8.0%
HEALTH AND SAFETY							
Number of work-related fatalities	Person(s)	0	0	0	0	1	-100%
Lost days due to work injuries	Day(s)	0	493	0	493	305	61.6%[5]
Coverage rate of medical examination of employees	%	100%	81%	100%	91%	100%	-9.0%[6]
DEVELOPMENT AND TRAINING							
Percentage of male employees trained	%	80%	96%	100%	91.4%	87.9%	3.5%
Percentage of female employees trained	%	69%	97%	100%	81.3%	75.9%	5.4%
Percentage of general employees trained	%	72%	95%	100%	86.5%	84.4%	2.1%
Percentage of middle management trained	%	83%	99%	100%	90.1%	82.3%	7.8%
Percentage of senior management trained	%	41%	99%	100%	78.7%	74.3%	4.4%
Hours of training per each employee every year	Hour	5.1	27.0	16.6	16.9	15.8	7.0%
Hours of training per each male employee every year	Hour	5.8	29.1	12.8	20.6	18.0	14.4%
Hours of training per each female employee every year	Hour	4.7	23.4	27.3	12.9	13.4	-3.7%
Average hours of training per each general employee	Hour	2.2	28.3	16.1	16.8	15.3	9.8%
Average hours of training per each middle manager	Hour	13.5	24.3	20.0	18.2	14.4	26.4%
Average hours of training per each senior manager	Hour	11.6	14.8	20.0	12.1	12.0	0.8%

Note

4 Since the main operations of Shui On Land – Property Development and CXTD, Feng Cheng Property Management team and Shui On Construction team are different, their social performance data of Employment, Health and safety and Development and training is separately collected and disclosed.

5 The increase in Lost days due to work injuries is because there were 9 cases of work injuries happened in 2019 and 4 of them are casued by fracture so workers had to stay at home for longer time.

6 The decrease of Coverage rate of medical examination of employees is because in 2019, the scope of the Group's performance has included Feng Cheng Property Management team and Construction team, while in 2018 which was only within Property Development and CXTD Asset Management team. Besides, some workers did not participate in medical examination because of their own considerations.

Indicator	Unit	The Group's Performance in 2019	The Group's Performance in 2018	% Change
PRODUCTS AND SERVICES				
Overall customer satisfaction of the properties	Score	94.1	91.7	2.6%
Residential customer satisfaction	Score	94.8	90.8	4.4%
Office building customer satisfaction	Score	94.7	95.7	-1.0%
Shopping mall customer satisfaction	Score	92.8	91.1	1.9%
Number of complaints	Number	352	317	11.0%
Complaint handling rate	%	100%	89.6%	10.4%
SUPPLY CHAIN MANAGEMENT				
Number of increased Chinese Mainland suppliers	Number	25	55	-54.5%[7]
Number of increased Chinese Mainland contractors	Number	75	36	108.3%[8]
ANTI-CORRUPTION AND FAIR OPERATION				
Total hours of anti-corruption related training	Hour	1,410.8	75.5	N/A[9]
Total hours of training on increasing employees' awareness of competition legislation and fair competition	Hour	759	2	N/A[10]
Number of concluded legal cases concerning corruption charges brought against the issuer or its employees	Number	0	0	–
COMMUNITY INVESTMENT				
Number of employees participating in voluntary activities	Person(s)	120	115	4.3%
Total time spent in voluntary activities	Hour	360	460	-21.7%
Total charitable donations by employees	RMB	23,800	94,071	-74.7%
Total charitable donations by the Company	RMB'0,000	375	309	21.4%

Remarks:

1. The Group was not aware of any confirmed violations or complaints concerning human rights or labour practices which might have a significant impact on the Group in 2019.
2. The Group was not aware of any non-conformances concerning health, advertising, labelling and privacy matters which might have a significant impact on the Group in 2019.
3. The Group was not aware of any significant negative impact, real or potential, caused by its major suppliers on business ethics, environmental protection, human rights and labour practices or any non-conformance on human rights issues in 2019.
4. There were no significant risks associated with bribery and corruption in 2019.

Note

7 The Group is a China based developer and asset manager with all assets in China. 100% of our new suppliers during the year are from mainland China.

8 The Group is a China based developer and asset manager with all assets in China. The Group cooperates with contractors locally.

9 The increase in Total hours of anti-corruption related training is because in 2019, the Group has set up online anti-corruption courses and require 100% new employees who should attend anti-corruption courses. In addition, in 2019, the formula is average training hourses* the number of employees attended trainings, while in 2018 the figure was average training hours.

10 The increase in Total hours of training on increasing employees' awareness of competition legislation and fair competition is because in 2019, the Group has set up online courses on competition legislation and fair competition and require 100% new employees who should attend such courses. In addition, in 2019, the formula is average training hourses* the number of employees attended trainings, while in 2018 the figure was average training hours.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Compliance of the Report

The "Sustainable Development Report" section in this Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Ltd with full compliance with the mandatory disclosure provisions set out in the Guide. The scope of the Report is also developed adhering to the reporting principles proposed by the Stock Exchange, namely materiality, quantitative, balance and consistency.

Scope of the Report

Orgnisational Scope: Shui On Land Limited is the subject of this chapter, which includes subsidiaries, joint ventures, and associates. Please refer to the notes for some specific data sources.

Reporting Period: 1 January 2019 to 31 December 2019.

Unless otherwise specified, all currency involved in the Report are denominated in CNY.

Approval of the Report

The Report was issued upon final approval by the Board of Directors to ensure the completeness and compliance of the information contained herein.

Content Index

Environment		
Aspect	**Key Performance Indicators**	**Reference**
A1: Emission		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
A1.1	The types of emissions and respective emission data.	Key Performance Table
A1.2	Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Key Performance Table
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable. The Group does not produce large amounts of hazardous waste during operation. Small amounts of hazardous waste (e.g. toner cartridges) is disposed of by a qualified institution.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Table
A1.5	Description of the emission target(s) set and steps taken to achieve them.	Environment
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets(s) set and steps taken to achieve them.	Environment

Environment		
Aspect	**Key Performance Indicators**	**Reference**
A2: Use of resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Key Performance Table
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Key Performance Table
A2.3	Description of the energy use efficiency target(s) set and steps taken to achieve them.	Environment
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and the steps taken to achieve them.	Environment
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable. The Group mainly provides real estate development and operation services, not involving packaging materials used for manufactured goods.
A3: The environment and natural resources		
General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment
A4: Climate change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment
A4.1	Description of significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment
Social		
Aspect	**Key Performance Indicators**	**Reference**
B1: Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social
B1.1	Total workforce by gender, employment type (for example full- or part-time), age group and geographical region.	Key Performance Table
B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Table
B2: Health and safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social
B2.1	Number and rate of work-related fatalities in each of the past three years including reporting years.	Key Performance Table
B2.2	Lost days due to work injury.	Key Performance Table
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Social
B3: Development and training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management.).	Key Performance Table
B3.2	The average training hours completed per employee by gender and employee category.	Key Performance Table

Social		
Aspect	**Key Performance Indicators**	**Reference**
B4: Labour standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social
B4.2	Description of steps taken to eliminate such practices when discovered.	Social
B5: Supply chain management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	Environment
B5.1	Number of suppliers by geographical region.	Key Performance Table
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Environment
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Environment
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Environment
B6: Product responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Social
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable. The Group mainly provides real estate development and operation services, not involving product recalls.
B6.2	Number of product- and service-related complaints received and how they are dealt with.	Key Performance Table
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable. Although the Group is not a technology-oriented company, it still strictly protects its intellectual property rights, e.g. trademark rights, and respects the intellectual property rights of other operators and business partners in the industry.
B6.4	Description of the quality assurance process and recall procedures.	Social
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Social
B7: Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Governance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Key Performance Table
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Governance
B7.3	Description of anti-corruption training provided to directors and staff.	Governance
B8: Community investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Social
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social
B8.2	Resources contributed (e.g. money or time) to the focus area.	Key Performance Table

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Vincent H. S. LO

Board of Directors

Executive Directors

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

aged 71, 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 2005. 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.

Mr. Douglas H. H. SUNG

Ms. Stephanie B. Y. LO

Mr. Douglas H. H. SUNG,

aged 53, is an Executive Director, Managing 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.

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.

Ms. Stephanie B. Y. LO,

aged 37, is an Executive Director of the Company, Managing Director – Corporate Development of Shui On Management Limited ("SOM") and the Vice Chairman of China Xintiandi Holding Company Limited, both being wholly-owned subsidiaries of the Company. She is responsible for the development of China 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 16 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 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 Seventh Council Member of Shanghai Chinese Overseas Friendship Association. 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.

Mr. Frankie Y. L. WONG

Sir John R. H. BOND

Non-executive Director

Mr. Frankie Y. L. WONG,

aged 71, was re-designated as a Non-executive Director of the Company on 1 January 2017. He was an Executive Director of the Company from June 2015 to December 2016 and a Non-executive Director of the Company from August 2011 to June 2015. He was a Director of the Company from May 2004 to May 2006 prior to the listing of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2006. Mr. Wong was a Non-executive Director of the Stock Exchange listed SOCAM Development Limited ("SOCAM") from September 2011 to August 2014, Vice Chairman of SOCAM from January 1997 to July 2004 and from April 2010 to August 2011, the Chief Executive Officer of SOCAM from July 2004 to March 2010 and the Chief Executive Officer and Chief Financial Officer of SOCAM from January 2017 to September 2019 and the Senior Adviser of SOCAM from October 2019 to December 2019. Mr. Wong joined Shui On Group in 1981 and retired on 1 January 2020. He is one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining Shui On Group, Mr. Wong had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and The University of Lancaster in the United Kingdom respectively. Mr. Wong is currently a Non-executive Chairman of Walcom Group Limited, a company listed on the Alternative Investment Market of the London Stock Exchange plc. He was a Non-executive Director of Solomon Systech (International) Limited, which is listed on the Stock Exchange, from February 2004 to December 2006, an Independent Non-executive Director of this Company from January 2007 to May 2014 and a director of Sichuan Shuangma Cement Co., Ltd.(四川雙馬水泥股份有限公司), a company listed on the Shenzhen Stock Exchange, from 18 July 2012 to 11 August 2015.

Independent Non-executive Directors

Sir John R. H. BOND,

aged 78, has served as an Independent Non-executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings plc and was with HSBC from 1961 until May 2006. He was the Chairman of Vodafone Group Plc until 26 July 2011, the Chairman of Xstrata plc until May 2013, an Advisory Director of Northern Trust Corporation until 21 April 2015 and a Non-executive Director of A. P. Moller Maersk until April 2016. Sir John Bond is currently a member of the Mayor of Shanghai's International Business Leaders' Advisory Council and a participant in the China Development Forum.

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Professor Gary C. BIDDLE,

aged 68, 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 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. He also is Accounting Area Editor for Journal of International Business Studies, Book Editor for The Accounting Review, and an editorial board member of other premier academic journals. Professor Biddle has served as a member of the American Accounting Association Executive Board and as Vice-President and President-Elect Candidate, 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 conducts research on 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 CNN, SCMP, The Economist, and The Wall Street Journal. He has over 7,500 Google Scholar citations and ranks among the top 0.28% in career research citations and 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 proudly serves as Independent Non-Executive Director and Audit Committee Chair of leading listed companies including Kingdee International Software Group Limited and New Hope Group Real Pet Food Company, and served as Remuneration Committee Chair of Chinachem Group.

Dr. Roger L. McCARTHY,

aged 71, has served as an Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is currently the principal of McCarthy Engineering. He 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

Mr. David J. SHAW

Mr. Anthony J. L. NIGHTINGALE

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 one of approximately 165 US Mechanical Engineers elected to the National Academy of Engineering. He currently serves on MIT's Material Science and Engineering Visiting Committee and the External Advisory Board of the Mechanical Engineering Department at the University of Michigan, and 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. He is currently a member of the US National Academy of Engineering's Finance and Budget Committee.

Mr. David J. SHAW,

aged 73, 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 72, 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 Strategic Holdings Limited, Jardine Cycle & Carriage Limited, Dairy Farm International Holdings Limited, Hongkong Land Holdings Limited and Mandarin Oriental International 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, chairperson of The Sailors Home and Missions to Seafarers and chairman of The Friends of Uppingham School Limited in Hong Kong. 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. Nightingale was an independent non-executive director of China Xintiandi Holding Company Limited, a wholly owned subsidiary of the Company.

Senior Management

Ms. Jessica Y. WANG,

aged 45, is the Managing Director – Project Development & Asset Management of SOM. Ms. Wang oversees the project development and asset management functions of the Group. She is responsible for business development of the Group, which includes land acquisitions, mergers and acquisitions and other new property investment activities. In addition, Ms. Wang oversees various project management functions in the Group including Quantity Surveying, Project Management, and Design and Planning. Ms. Wang joined the Group in August 1997 and has over 25 years of working experience in the property development industry in 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 in Shanghai University of Technology and the Executive Master of Business Administration (EMBA) from Shanghai Fudan University. She has completed the Senior Executive Leadership Program from 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, Director of Shanghai Federation of Industry and Commerce Real Estate Chamber of Commerce & Chairman of Commerce Real Estate Committee and Vice Chairman of Hong Kou District non-Party Intellectuals Association.

Mr. Allan B. ZHANG,

aged 41, is an Executive Director of SOM. Mr. Zhang leads the product development and project development design, cost and construction management functions, as well as the Group's construction business. He also takes the lead on the office business unit of China Xintiandi, and is the head of the Taipingqiao project, the KIC Project and the Company's mixed-use development business in Nanjing.

Mr. Zhang has 16 years of experience in the PRC property development industry, bringing with him a wealth of property development and commercial asset management experience in multiple cities across mainland China. Mr. Zhang joined the Group in 2004. Prior to his present position, Mr. Zhang was the Chief Operating Officer of China Xintiandi Limited, where he was involved in several mixed-use city center community projects, such as Rui Hong Xin Cheng, Wuhan Tiandi, KIC and the Taipingqiao mixed-use development. Mr. Zhang is a deputy to the People's Congress of Shanghai Huangpu District. He holds a bachelor's degree and a master's degree in engineering from Tongji University. He is also a certified member of Royal Institution of Chartered Surveyors (RICS).

Mr. Dave Q. S. CHEN,

aged 42, is an Executive Director of China Xintiandi Limited ("China Xintiandi") and is responsible for the overall operation and management of China Xintiandi. He takes the lead on day-to-day management and development of the Group's Shanghai, Wuhan, Foshan and Chongqing commercial projects, as well as the development of the Group's e-commerce platforms. Mr. Chen also leads Feng Cheng Property Management, the Group's property management business. Mr. Chen holds a bachelor's degree of Economics from Wuhan University and has been working in the commercial property industry in mainland China for many years. Mr. Chen joined the Group in October 2017. Prior to joining China Xintiandi of the Group, he was Deputy General Manager of Commercial Property Business and General Manager of E-commerce at China Resources Land. He has extensive experiences in developing and managing large scale commercial complexes in mainland China.

Mr. UY Kim Lun,

aged 56, is the Director of Legal Affairs and Company Secretary of our Company. He joined our Company in 2005 and is responsible for the legal, company secretarial, compliance, risk management and business ethics issues of our Company. Mr. Uy holds a bachelor's degree, with honours, in Laws and a Postgraduate Certificate in Laws from The University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 28 years of post-qualification experience and has worked in the legal departments of several blue-chip companies in Hong Kong before joining our Company.

DIRECTORS' REPORT

Principal Activities

The Company acts as an investment holding company. The activities of its subsidiaries, associates and joint ventures are set out in Notes 49, 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 6 to 9, pages 22 to 31, pages 32 to 41, pages 42 to 43, pages 44 to 49 and pages 50 to 51 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in Financial Review on pages 44 to 49. Also, the financial risk management objectives and policies of the Group can be found in Notes 45 and 46 to the consolidated financial statements. Particulars of important event affecting the Group that has occurred since the end of the financial year ended 31 December 2019 are provided in Note 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 41 and pages 44 to 49. An analysis of the Group's performance during the year using financial key performance indicators is provided in Financial Review on pages 44 to 49. 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 6 to 9, pages 52 to 63, pages 66 to 91 and pages 98 to 108 of this Annual Report.

Results and Appropriations

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 113.

An interim dividend of HKD0.036 per share was paid to the shareholders on 27 September 2019.

The Board has resolved to recommend the payment of a final dividend of HKD0.084 per share for the year ended 31 December 2019 (2018: HKD0.084), amounting to approximately RMB607 million (2018: RMB595 million) in aggregate. Subject to shareholders' approval of the final dividend at the forthcoming annual general meeting ("AGM") to be held on 27 May 2020, the final dividend is expected to be paid on or about 19 June 2020 to shareholders whose names appear on the register of members of the Company on 5 June 2020.

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 5 June 2020.

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, Plant and Equipment

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

Share Capital

Details of share capital of the Company during the year ended 31 December 2019 are set out in Note 28 to the consolidated financial statements.

Distributable Reserves of The Company

The Company's reserves available for distribution to shareholders as of 31 December 2019 were RMB18,413 million (2018: RMB16,903 million).

Directors

The Directors of the Company during the year ended 31 December 2019 and up to the date of this report were:

Executive Directors:
Mr. Vincent H. S. LO
Mr. Douglas H. H. SUNG
Ms. Stephanie B. Y. LO

Non-executive Director:
Mr. Frankie Y. L. WONG

Independent Non-executive Directors:
Sir John R. H. BOND
Mr. William K. L. FUNG (retired on 31 May 2019)
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Anthony J. L. NIGHTINGALE

In accordance with Article 102 of the Articles of Association of the Company (the "Articles of Association"), Mr. Vincent H. S. LO, Mr. David J. SHAW and Mr. Frankie Y. L. WONG will retire from office by rotation at the AGM. Except for Mr. Frankie Y. L. WONG who will not stand for re-election, the other Directors, being eligible, will offer themselves 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 2019, 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)	4,611,835,751 (Note 2)	–	4,613,685,272	57.23%
Mr. Douglas H. H. SUNG ("Mr. Sung")	–	–	–	437,000	437,000	0.0054%
Ms. Stephanie B. Y. LO ("Ms. Lo")	–	–	4,611,835,751 (Note 2)	437,000	4,612,272,751	57.21%
Sir John R. H. BOND	250,000	–	–	–	250,000	0.003%
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, 2,672,990,325 shares, 183,503,493 shares and 29,847,937 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), Chester International Cayman Limited ("Chester International") and New Rainbow Investments Limited ("NRI"), respectively whereas SOP and Chester International were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("SOCAM") which in turn was held by SOCL as to 61.94% as of 31 December 2019. 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 2019.

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

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital (Note 3)
	Personal interests	Family interests	Other interests		
Mr. Lo	–	312,000 (Note 1)	234,381,000 (Note 2)	234,693,000	62.02%
Ms. Lo	–	–	234,381,000 (Note 2)	234,381,000	61.94%
Mr. Frankie Y. L. WONG	3,928,000	–	–	3,928,000	1.03%

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 comprised 232,148,000 shares beneficially owned by SOCL and 2,233,000 shares held by Shui On Finance Company Limited, an indirect 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, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

(3) These percentages have been compiled based on the total number of issued shares (i.e. 378,398,164 shares) at 31 December 2019.

(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	Founder and discretionary beneficiary of a trust	RMB50,000,000 USD28,800,000
		Family interests	RMB35,500,000 USD2,000,000
Mr. Sung	SOCAM	Personal	USD200,000
Ms. Lo	Shui On Development (Holding) Limited	discretionary beneficiary of a trust	RMB50,000,000 USD28,800,000

Save as disclosed above, at 31 December 2019, 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 2019, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests in the Company (Note 4)
Mrs. Lo	Family and Personal	4,613,685,272 (Notes 1 & 3)	57.23%
HSBC Trustee	Trustee	4,611,835,751 (Notes 2 & 3)	57.20%
Bosrich	Trustee	4,611,835,751 (Notes 2 & 3)	57.20%
SOCL	Interests of Controlled Corporation	4,611,835,751 (Notes 2 & 3)	57.20%

Notes:

(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,611,835,751 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 4,611,835,751 shares under Part XV of the SFO.

(2) These shares were held by SOCL through its controlled corporations, comprising 1,725,493,996 shares, 2,672,990,325 shares, 183,503,493 shares and 29,847,937 shares held by SOP, SOI, Chester International and NRI respectively whereas SOP and Chester International were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 61.94% as of 31 December 2019. 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 2019.

Save as disclosed above, at 31 December 2019, 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 and no share option has been granted under the Share Option Scheme since its adoption.

Particulars of the Old Scheme are set out in note 39 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 2019	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2019	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)	18 January 2012	2.41	5,704,006	–	–	(1,415,044)	4,288,962	28 June 2013 – 17 January 2020
	3 September 2012	4.93	4,353,626	–	–	(4,353,626)	0	5 November 2012 – 4 November 2019
	7 July 2015	2.092	4,262,800	–	–	(837,400)	3,425,400	1 June 2016 – 6 July 2021
	4 July 2016	1.98	5,712,200	–	–	(964,400)	4,747,800	1 June 2017 – 3 July 2022
Sub-total			**20,032,632**	**–**	**–**	**(7,570,470)**	**12,462,162**	
Total			**20,906,632**	**–**	**–**	**(7,570,470)**	**13,336,162**	

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 2019, 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

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 5 October 2016, Shui On Development (Holding) Limited ("SODH") issued USD250 million in 4.375% senior notes due 2019 (the "2019 Notes"). SODH fully repaid the principal amount of the outstanding 2019 Notes together with the accrued and unpaid interest upon its maturity on 5 October 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

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 52 to 63.

Connected Transactions

Certain related party transactions as disclosed in note 43 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions of the Company and its subsidiaries during the year under review, certain of which are ongoing.

(1) Continuing Connected Transactions in respect of the Use of Aircraft Owned by a Subsidiary of SOCL

On 4 September 2009, the Company entered into an agreement with Top Dynasty Investment Limited ("Top Dynasty") pursuant to which the Group may use an aircraft owned by Top Dynasty for the purpose of transporting passengers for business of the Group. As Top Dynasty is a subsidiary of SOCL, the transactions contemplated under the agreement constitute continuing connected transactions of the Company under the Listing Rules.

The term of the agreement was extended to 31 December 2013 by a supplemental agreement dated 2 November 2010, further extended to 31 December 2016 by a second supplemental agreement dated 18 September 2013 and further extended to 31 December 2019 by a third supplemental agreement dated 23 November 2016. The fees payable under the agreement are calculated based on the actual travelling schedules of the passengers.

Maximum annual fees payable by the Group to Top Dynasty and its affiliates under the agreement for each of the three financial years ending on 31 December 2019 should not exceed RMB18 million.

No fee was paid and/or is payable by the Group to Top Dynasty and its affiliates for the use of aircraft during the year under review.

(2) Acquisition of Interest in Great Market Limited ("Great Market")

On 14 May 2019, Pacific Wise Enterprises Limited (an indirect wholly-owned subsidiary of the Company) as purchaser and Shui On Building Materials Limited ("SOBM", an indirect wholly-owned subsidiary of SOCAM) as vendor entered into a sale and purchase agreement in relation to, among other things, the sale and purchase of 58% of the issued voting share capital of Great Market for a consideration of approximately RMB147.85 million. Great Market owns 60% of the equity interest of a PRC project company which in turn owns land use right of the Land and certain parcels of land in Qixia Town, Qixia District, Nanjing, the PRC with a total area of 319,871.9 square meters. Details of the transaction were set out in the announcement of the Company dated 14 May 2019. Upon completion of the acquisition on 28 June 2019, Great Market became our non-wholly owned subsidiary.

SOBM, being a subsidiary of SOCAM, is a connected person of the Company. As such, the acquisition constituted a connected transaction of the Company.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions referred to in item (1) and are of the opinion that the continuing connected transactions as stated in item (1) have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the terms of the respective agreements which are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions referred to in item (1) disclosed by the Group in the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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 Contracts of Significance

Save for the related party transactions disclosed in Note 43 to the consolidated financial statements, no 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 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 Director	Name of businesses which entity are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entity which are considered to compete with the businesses of the Group	Nature of interest of the Director in the entity
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
Mr. Frankie Y. L. Wong	SOCL*	Property investment in the PRC	Director
Mr. Frankie Y. L. Wong	SOCAM**	Property investment in the PRC	Director

* Mr. Frankie Y.L. Wong resigned as a director of SOCL with effect from 1 January 2020.

** Mr. Frankie Y. L. Wong stepped down as a director of SOCAM with effect from 1 October 2019.

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 2019, 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 5 October 2016, a written agreement (the "2019 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the 2019 Notes issued by SODH, pursuant to which the 2019 Notes were issued. The 2019 Indenture provides that upon the occurrence of a change of control (as defined in the 2019 Indenture), the Company or SODH will make an offer to repurchase all outstanding 2019 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 6 October 2016. SODH fully repaid the principal amount of the outstanding 2019 Notes together with the accrued and unpaid interest upon its maturity on 5 October 2019.

On 6 February 2017, a written agreement (the "2021 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD500 million in 5.70% senior notes due 2021 issued by SODH (the "2021 Notes"), 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.

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 RMB1,600 million in 6.875% senior notes due 2021 issued by SODH (the "2021 CNH Notes"), 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 RMB600 million in 6.875% senior notes due 2021 (the "Additional Notes"), 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 are set out in the announcement of the Company dated 26 April 2018.

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 USD500 million in 6.25% senior notes due 2021 issued by SODH (the "2021 SODH Notes"), pursuant to which the 2021 SODH Notes were issued. The 2021 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2021 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2021 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 28 February 2019.

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

Any breach of the above obligations will cause a default in respect of the 2021 Notes, the Senior Perpetual Securities, the 2021 CNH Notes, the 2021 SODH Notes and the 2023 SODH Notes may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB11,360 million at 31 December 2019.

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

On 20 February 2020, SODH commenced the Exchange and Tender Offer to the Eligible Holders of 2021 Notes and 2021 SODH Notes. On 28 February 2020, the Company determined to accept USD64,972,000 for the exchange of the 2021 Notes and USD24,942,000 for the exchange of 2021 SODH Notes. Pursuant to the Exchange Offer, USD89,914,000 new notes were issued which formed a single series with the 2025 SODH Notes with the aggregate principle 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 and 28 February 2020.

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 37 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 2019, as required under the Listing Rules.

Charitable Donations

During the year, the Group made charitable donations amounting to RMB37.5 million (2018: RMB3.1 million).

Major Customers and Suppliers

For the year ended 31 December 2019, less than 30% of the Group sales were attributable to the five largest customers combined.

For the year ended 31 December 2019, the five largest construction contractors accounted for approximately 38% of our total payments for construction services and the largest construction contractor accounted for approximately 13% of the total construction services. None of the Directors, their close associates or any shareholders of the Company holding more than 5% of the issued shares of the Company holds any interests in the five largest construction contractors of the Group.

Auditor

Messrs. Deloitte Touche Tohmatsu shall retire as auditor of the Company upon the expiration of its current term of office with effect from the conclusion of the AGM. A resolution for the re-appointment or appointment of auditor of the Company is to be proposed at the AGM. If it is intended at the AGM to appoint an auditor other than the retiring auditor, an announcement in relation to the proposed change of auditor pursuant to Rule 13.51(4) of the Listing Rules will be made as soon as practicable.

On behalf of the Board

Vincent H. S. LO
Chairman

30 March 2020

Deloitte. 德勤

TO THE SHAREHOLDERS 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 113 to 222, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2019, 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 (the "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 matter.

TO THE SHAREHOLDERS 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 completed investment properties stated at fair value	
We identified the valuation of completed investment properties stated at fair value as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole 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 value of completed investment properties amounted to RMB42,888 million as at 31 December 2019, which in aggregate represents 40% of the Group's total assets. An increase in fair value of RMB251 million was recognised in the consolidated statement of profit or loss for the year then ended. In estimating the fair value of these investment properties stated at fair value, the Group engaged an independent qualified professional valuer to perform the valuation. As disclosed in note 4 to the consolidated financial statements, the management of the Group worked with the valuer to establish and determine the appropriate valuation technique and inputs for fair value measurements. As disclosed in note 13 to the consolidated financial statements, for those completed investment properties, the key inputs in the income capitalisation approach are capitalisation rate and daily market rent. Changes in these key inputs would result in changes in fair value.	Our procedures in relation to the valuation of completed investment properties stated 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 to assess if the income capitalisation approach or the market-based approach adopted are appropriate or not; • Evaluating the appropriateness of the estimations used by the management of the Group and the valuer, in particular, the valuation model and the capitalisation rate used by the management of the Group and the valuer; and • Assessing the reasonableness of key inputs used in the valuation model by comparing market rent and captitalisation rate, on a sample basis, against current market data and entity-specific information

(incorporated in the Cayman Islands with limited liability)

Other Information

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 and will 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.

Responsibilities of Directors and Those Charged with Governance 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

TO THE SHAREHOLDERS 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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

- 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 those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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 the independent auditor's report is Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 RMB'million**	2018 RMB'million
Revenue			
– The Company and its subsidiaries (the "Group")		**10,392**	24,841
– Share of joint ventures		**757**	91
		11,149	24,932
Revenue of the Group	5	**10,392**	24,841
Cost of sales		**(5,079)**	(17,696)
Gross profit		**5,313**	7,145
Other income	6	**536**	417
Selling and marketing expenses		**(148)**	(254)
General and administrative expenses		**(829)**	(790)
Operating profit		**4,872**	6,518
Increase in fair value of investment properties	13	**256**	970
Gain on disposal of investment properties through disposal of subsidiaries		**–**	194
Other gains and losses	6	**(150)**	(1,123)
Share of gains of associates and joint ventures		**195**	61
Finance costs, inclusive of exchange differences	7	**(1,497)**	(1,583)
Reversal (provision) of impairment losses under expected credit loss model	8	**179**	(122)
Profit before taxation	8	**3,855**	4,915
Taxation	9	**(1,310)**	(2,229)
Profit for the year		**2,545**	2,686
Attributable to:			
Shareholders of the Company		**1,932**	1,906
Owners of perpetual capital securities		**269**	259
Owners of convertible perpetual capital securities		**116**	112
Non-controlling shareholders of subsidiaries		**228**	409
		613	780
		2,545	2,686
Earnings per share	12		
– Basic		**RMB24.0 cents**	RMB23.7 cents
– Diluted		**RMB23.5 cents**	RMB23.3 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 RMB'million**	2018 RMB'million
Profit for the year		**2,545**	2,686
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(10)**	1
Fair value adjustments on currency forward contracts designated as cash flow hedges	33	**(118)**	435
Reclassification from hedge reserve to profit or loss arising from currency forward contracts		**110**	(504)
Share of other comprehensive (expense) income of a joint venture		**(37)**	22
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	37	**3**	(3)
Gain on revaluation of properties transferred from property, plant and equipment to investment properties, net of tax		**–**	4
Other comprehensive expense for the year		**(52)**	(45)
Total comprehensive income for the year		**2,493**	2,641
Total comprehensive income attributable to:			
Shareholders of the Company		**1,880**	1,861
Owners of perpetual capital securities		**269**	259
Owners of convertible perpetual capital securities		**116**	112
Non-controlling shareholders of subsidiaries		**228**	409
		613	780
		2,493	2,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2019

	Notes	2019 RMB'million	2018 RMB'million
Non-current assets			
Investment properties	13	**51,913**	49,100
Interests in associates	17	**7,470**	4,998
Interests in joint ventures	18	**11,108**	10,682
Property, plant and equipment	14	**1,053**	1,080
Right-of-use assets	15	**96**	–
Accounts receivable, deposits and prepayments	19	**268**	1,349
Pledged bank deposits	21	**1,289**	1,796
Derivative financial instruments	33	**–**	243
Deferred tax assets	35	**922**	1,043
Other non-current assets		**17**	51
		74,136	70,342
Current assets			
Properties under development for sale	16	**17,855**	11,927
Properties held for sale	22	**973**	5,315
Accounts receivable, deposits and prepayments	19	**3,164**	3,115
Loans to/amounts due from associates	17	**778**	3,434
Loans to/amounts due from joint ventures	18	**45**	1,853
Amounts due from related companies	23	**416**	159
Contract assets	20	**53**	59
Pledged bank deposits	21	**–**	492
Bank balances and cash	21	**10,570**	13,104
Derivative financial instruments	33	**103**	221
Prepaid taxes		**323**	229
		34,280	39,908
Current liabilities			
Accounts payable, deposits received and accrued charges	25	**5,564**	10,360
Contract liabilities	26	**3,127**	5,659
Bank borrowings – due within one year	27	**5,852**	12,782
Senior notes	30	**–**	1,722
Receipts under securitisation arrangements	36	**7**	5
Tax liabilities		**3,575**	3,196
Loans from/amounts due to non-controlling shareholders of subsidiaries	24	**1,784**	1,718
Amount due to an associate		**453**	383
Amount due to a joint venture		**–**	384
Amounts due to related companies	23	**331**	15
Liability arising from a rental guarantee arrangement	34	**174**	169
Lease liabilities		**29**	–
		20,896	36,393
Net current assets		**13,384**	3,515
Total assets less current liabilities		**87,520**	73,857
Non-current liabilities			
Bank borrowings – due after one year	27	**19,971**	13,539
Senior notes	30	**11,399**	5,702
Receipts under securitisation arrangements	36	**512**	519
Liability arising from a rental guarantee arrangement	34	**208**	380
Deferred tax liabilities	35	**6,031**	6,490
Lease liabilities		**86**	–
Defined benefit liabilities	37	**6**	8
		38,213	26,638
Capital and reserves			
Share capital	28	**146**	146
Reserves	29	**39,930**	38,901
Equity attributable to shareholders of the Company		**40,076**	39,047
Convertible perpetual capital securities	31	**1,345**	1,345
Perpetual capital securities	32	**4,056**	4,055
Non-controlling shareholders of subsidiaries		**3,830**	2,772
		9,231	8,172
Total equity		**49,307**	47,219
Total equity and non-current liabilities		**87,520**	73,857

The consolidated financial statements on pages 113 to 222 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

VINCENT H. S. LO
DIRECTOR

DOUGLAS H. H. SUNG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to shareholders of the Company						
	Share capital RMB'million	Share premium RMB'million	Merger reserve RMB'million (note 29(a))	Special reserve RMB'million (note 29(b))	Share option reserve RMB'million	Share award reserve RMB'million	Exchange reserve RMB'million
At 1 January 2018	146	18,076	122	(135)	13	24	(161)
Adjustments for adoption of IFRS 9	–	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	1
Fair value adjustments on currency forward contracts designated as cash flow hedges (note 33)	–	–	–	–	–	–	–
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	–	–	–	–	–	–
Remeasurement of defined benefit obligations (note 37)	–	–	–	–	–	–	–
Gain on revaluation of properties transferred from property, plant and equipment to investment properties (note 13)	–	–	–	–	–	–	–
Deferred tax arising from gain on revaluation of properties transferred from property, plant and equipment to investment properties	–	–	–	–	–	–	–
Share of other comprehensive income of a joint venture	–	–	–	–	–	–	22
Total comprehensive income (expense) for the year	–	–	–	–	–	–	23
Recognition of equity-settled share-based payment expenses under the share option scheme (note 39)	–	–	–	–	1	–	–
Recognition of equity-settled share-based payment expenses under the share award scheme (note 39)	–	–	–	–	–	1	–
Exercise of share option (note 39)	–	2	–	–	–	–	–
Lapse of share award and share option	–	–	–	–	(3)	(15)	–
Finalisation of partial disposal of subsidiaries without losing of control in prior year	–	–	–	–	–	–	–
Acquisition of all the remaining interests in subsidiaries	–	–	–	–	–	–	–
Disposal of subsidiaries (note 38)	–	–	–	–	–	–	–
Capital injection by a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–
Total dividends of HKD0.106 per share paid, comprising 2017 final dividend of HKD0.07 per share and 2018 interim dividend of HKD0.036 per share	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of convertible perceptual capital securities	–	–	–	–	–	–	–
At 31 December 2018	146	18,078	122	(135)	11	10	(138)
At 1 January 2019	**146**	**18,078**	**122**	**(135)**	**11**	**10**	**(138)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(10)**
Fair value adjustments on currency forward contracts designated as cash flow hedges (note 33)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Remeasurement of defined benefit obligations (note 37)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share of other comprehensive expense of a joint venture	**–**	**–**	**–**	**–**	**–**	**–**	**(37)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(47)**
Lapse of share award and share option	**–**	**–**	**–**	**–**	**(3)**	**–**	**–**
Acquisition of all the remaining interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capital injection by non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capital reduction declared to a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividend declared to non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total dividends of HKD0.12 per share paid, comprising 2018 final dividend of HKD0.084 per share and 2019 interim dividend of HKD0.036 per share	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Distribution to owners of convertible perceptual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Distribution to owners of perceptual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2019	**146**	**18,078**	**122**	**(135)**	**8**	**10**	**(185)**

Attributable to shareholders of the Company										
Hedge reserve RMB'million	Other reserves RMB'million (note 29(c))	Property revaluation reserve RMB'million	Retained earnings RMB'million	Sub-total RMB'million	Convertible perpetual securities RMB'million	Convertible perpetual capital securities RMB'million (note 31)	Perpetual capital securities RMB'million (note 32)	Non-controlling shareholders of subsidiaries RMB'million	Sub-total RMB'million	Total RMB'million
(38)	364	84	19,787	38,282	1	1,345	4,052	5,495	10,893	49,175
–	–	–	(91)	(91)	–	–	–	–	–	(91)
–	–	–	1,906	1,906	–	112	259	409	780	2,686
–	–	–	–	1	–	–	–	–	–	1
435	–	–	–	435	–	–	–	–	–	435
(504)	–	–	–	(504)	–	–	–	–	–	(504)
–	–	–	(3)	(3)	–	–	–	–	–	(3)
–	–	5	–	5	–	–	–	–	–	5
–	–	(1)	–	(1)	–	–	–	–	–	(1)
–	–	–	–	22	–	–	–	–	–	22
(69)	–	4	1,903	1,861	–	112	259	409	780	2,641
–	–	–	–	1	–	–	–	–	–	1
–	–	–	–	1	–	–	–	–	–	1
–	–	–	–	2	–	–	–	–	–	2
–	–	–	18	–	–	–	–	–	–	–
–	86	–	–	86	–	–	–	–	–	86
–	(381)	–	–	(381)	(1)	–	–	(3,024)	(3,025)	(3,406)
–	–	–	–	–	–	–	–	(14)	(14)	(14)
–	–	–	–	–	–	–	–	1	1	1
–	–	–	–	–	–	–	–	(95)	(95)	(95)
–	–	–	(714)	(714)	–	–	–	–	–	(714)
–	–	–	–	–	–	–	(256)	–	(256)	(256)
–	–	–	–	–	–	(112)	–	–	(112)	(112)
(107)	69	88	20,903	39,047	–	1,345	4,055	2,772	8,172	47,219
(107)	**69**	**88**	**20,903**	**39,047**	**–**	**1,345**	**4,055**	**2,772**	**8,172**	**47,219**
–	**–**	**–**	**1,932**	**1,932**	**–**	**116**	**269**	**228**	**613**	**2,545**
–	**–**	**–**	**–**	**(10)**	**–**	**–**	**–**	**–**	**–**	**(10)**
(118)	**–**	**–**	**–**	**(118)**	**–**	**–**	**–**	**–**	**–**	**(118)**
110	**–**	**–**	**–**	**110**	**–**	**–**	**–**	**–**	**–**	**110**
–	**–**	**–**	**3**	**3**	**–**	**–**	**–**	**–**	**–**	**3**
–	**–**	**–**	**–**	**(37)**	**–**	**–**	**–**	**–**	**–**	**(37)**
(8)	**–**	**–**	**1,935**	**1,880**	**–**	**116**	**269**	**228**	**613**	**2,493**
–	**–**	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**7**	**–**	**–**	**7**	**–**	**–**	**–**	**138**	**138**	**145**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**824**	**824**	**824**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(73)**	**(73)**	**(73)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(59)**	**(59)**	**(59)**
–	**–**	**–**	**(858)**	**(858)**	**–**	**–**	**–**	**–**	**–**	**(858)**
–	**–**	**–**	**–**	**–**	**–**	**(116)**	**–**	**–**	**(116)**	**(116)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(268)**	**–**	**(268)**	**(268)**
(115)	**76**	**88**	**21,983**	**40,076**	**–**	**1,345**	**4,056**	**3,830**	**9,231**	**49,307**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'million	2018 RMB'million
Operating activities		
Profit before taxation	**3,855**	4,915
Adjustments for:		
Depreciation of property, plant and equipment	**90**	98
Net foreign exchange difference	**(42)**	127
Share of gains of associates and joint ventures	**(195)**	(61)
Finance costs, inclusive of exchange differences	**1,497**	1,583
Cost arising from hedging activities	**150**	133
Interest income	**(488)**	(385)
Gain on disposal of investment properties through disposal of subsidiaries	**–**	(194)
Gain on disposal of investment properties	**(22)**	(11)
Increase in fair value of investment properties	**(256)**	(970)
Decrease in fair value of call option	**–**	99
(Reversal of) impairment loss on properties held for sale	**(9)**	54
Impairment loss on investment properties under development at cost	**–**	380
Impairment loss of investment in a joint venture	**–**	376
Reversal (provision) of impairment losses under expected credit loss model	**(179)**	122
Loss on early redemption of senior notes	**–**	78
Share option expenses	**–**	1
Share award expenses	**–**	1
Release of prepaid lease payments	**–**	1
Depreciation of right-of-use assets	**29**	–
Remeasurement of defined benefit liabilities	**1**	3
Operating cash flows before movements in working capital	**4,431**	6,350
Decrease in accounts receivable, deposits and prepayments	**1,021**	5,286
Decrease in contract assets	**6**	67
Increase in inventories of properties	**(1,493)**	(784)
Decrease in amounts due from related companies	**49**	101
Increase in amounts due from joint ventures	**(19)**	(31)
(Decrease) increase in amount due to a joint venture	**(384)**	384
Increase in amounts due from associates	**(134)**	(194)
Increase in amount due to an associate	**70**	383
Increase in amounts due to non-controlling shareholders of subsidiaries	**3**	–
Increase (decrease) in value-added tax payable	**52**	(315)
Decrease in prepaid taxes	**151**	–
(Decrease) increase in contract liabilities	**(2,532)**	3,128
Decrease in accounts payable, deposits received and accrued charges	**(1,427)**	(738)
Cash (used in) generated from operations	**(206)**	13,637
Tax paid	**(1,511)**	(2,277)
Net cash (used in) from operating activities	**(1,717)**	11,360
Investing activities		
Interest received	**578**	382
Additions to investment properties	**(298)**	(377)
Payment of right-of-use assets	**(12)**	–
Proceeds from disposal of investment properties, net of transaction costs	**14**	44
Proceeds from disposal of associates	**1,406**	1,135

	Notes	2019 RMB'million	2018 RMB'million
Advances to associates		**(1,901)**	(1,974)
Repayments from associates		**4,662**	–
Advances to joint ventures		**(2,409)**	–
Investments in associates		**(766)**	–
Repayments from joint ventures		**1,898**	670
Investments in joint ventures		**(149)**	(3,513)
Investments return from a joint venture		**25**	–
Advances to related companies		**–**	(48)
Repayments from related companies		**12**	430
Net cash inflow on disposals of investment properties through disposal of subsidiaries		**–**	97
Withdrawal of pledged bank deposits		**1,467**	1,330
Placement of pledged bank deposits		**(468)**	(1,465)
Acquisition of a leasehold land		**(1,860)**	–
Net cash inflow/(outflow) on acquisition of subsidiaries and shareholders' loans		**1,206**	(542)
Deposits for investment in an associate		**–**	(1,041)
Loans to joint ventures		**–**	(1,352)
Payments made under rental guarantee arrangements		**(167)**	(179)
Others		**86**	(43)
Net cash from (used in) investing activities		**3,324**	(6,446)
Financing activities			
Capital injected by non-controlling shareholders of subsidiaries		**824**	1
Payments of lease liabilities		**(28)**	–
Exercise of share option		**–**	2
(Payments) receipts under securitisation arrangements		**(5)**	525
Expenditure incurred on receipts under securitisation arrangements		**–**	(1)
Drawdown of bank borrowings		**14,342**	14,680
Repayments of bank borrowings		**(16,347)**	(14,326)
Settlement for derivative financial instruments designated as cash flow hedge		**225**	(324)
Issue of senior notes	30	**5,417**	2,183
Repayment of senior notes	30	**(1,772)**	(5,761)
Expenditure incurred on issue of senior notes	30	**(7)**	(4)
Interest paid		**(2,084)**	(2,030)
Repayments to related companies		**(2)**	(307)
Payment of dividends		**(858)**	(714)
Distribution to owners of convertible perpetual capital securities		**(116)**	(112)
Distribution to owners of perpetual capital securities		**(268)**	(256)
Dividend payment to non-controlling shareholders of subsidiaries		**(25)**	(95)
Capital reduction paid to a non-controlling shareholder		**(49)**	–
Payments for acquisition of the remaining interest in subsidiaries		**(3,399)**	–
Proceeds from disposal of partial equity interest of subsidiaries		**–**	30
Loans from a non-controlling shareholder of subsidiaries		**5**	–
Net cash used in financing activities		**(4,147)**	(6,509)
Net decrease in cash and cash equivalents		**(2,540)**	(1,595)
Cash and cash equivalents at the beginning of the year		**13,104**	14,607
Effect of foreign exchange rate changes		**6**	92
Cash and cash equivalents at the end of the year		**10,570**	13,104
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**10,570**	13,104

1. General

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 49. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") – continued

New and Amendments to IFRSs that are mandatorily effective for the current year – continued

2.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") – continued

New and Amendments to IFRSs that are mandatorily effective for the current year – continued

2.1 IFRS 16 Leases – continued

As a lessee – continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.9%.

	At 1 January 2019 RMB'million
Operating lease commitments disclosed as at 31 December 2018	**620**
Lease liabilities discounted at relevant incremental borrowing rates	**587**
Less: Recognition exemption – short-term leases	**(26)**
Lease not yet commenced	**(462)**
Lease liabilities as at 1 January 2019	**99**
Analysed as	
Current	**6**
Non-current	**93**
	99

The carrying amount of right-of-use assets for own use and those under subleases (classified as investment properties) as at 1 January 2019 comprises the following:

	Right-of-use assets RMB'million
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	**99**
Reclassified from prepaid lease payments	**31**
Restoration and reinstatement costs	**2**
	132
By class:	
Land and buildings	**28**
Leasehold land	**31**
Investment properties	**73**

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") – continued

New and Amendments to IFRSs that are mandatorily effective for the current year – continued

2.1 IFRS 16 Leases – continued

As a lessor

In accordance with the transitional provisions in IFRS 16, except for subleases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

a) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

b) Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets. The Group elected not to make any adjustments to the refundable security deposits on initial application of IFRS 16, any deposits that existed immediately before the date of initial application will continue to be measured at a nominal amount until the earlier of the date at which the deposit is derecognised or the date at which the lease to which the deposit relates is modified.

The transition from IAS 17 to IFRS 16 had no material impact on retained earnings of the Group at 1 January 2019.

Subleases

At the date of initial application, leased properties under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date. All leased properties under subleases of RMB73 million as at the date of initial application were classified as operating leases and remeasured to fair value at the date of initial application in accordance with the Group's accounting policies for investment properties.

2.2 Impacts on each financial statement line item arising from the application of IFRS 16

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 RMB'million	Adjustments RMB'million	**Carrying amounts under IFRS 16 at 1 January 2019 RMB'million**
Non-current Assets				
Investment properties	(a)	49,100	73	**49,173**
Right-of-use assets		–	59	**59**
Other non-current assets	(b)	51	(31)	**20**
Current liabilities				
Lease liabilities		–	6	**6**
Accounts payable, deposits received and accrued charges		10,360	2	**10,362**
Non-current liabilities				
Lease liabilities		–	93	**93**

Notes:
(a) In relation to the lease of a property that the Group acts as lessee that meets the definition of investment property in IAS 40, the investment property is initially measured at right-of-use assets cost amounted to RMB73 million, which are presented within "investment properties" as at 1 January 2019.
(b) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments and included as other non-current assets as at 31 December 2018. Upon application of IFRS 16, the prepaid lease payments amounting to RMB31 million were reclassified to right-of-use assets.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") – continued

New and Amendments to IFRSs that are mandatorily effective for the current year – continued

2.2 Impacts on each financial statement line item arising from the application of IFRS 16 – continued

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

There were no material impact applying IFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement profit or loss and other comprehensive income and cash flows for the current reporting year.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non current
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. 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 Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and derivative financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17(before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

3. Significant Accounting Policies – continued

Basis of consolidation – continued

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the shareholders of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant Accounting Policies – continued

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of IFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under construction or development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalised as part of the carrying amount of the investment properties under construction or development during the development period.

Subsequent to initial recognition, investment properties, including completed investment properties and certain investment properties under construction or development, are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

3. Significant Accounting Policies – continued

Investment properties – continued

In circumstances where the fair values of investment properties under construction or development are not reliably determinable, such investment properties under construction or development are measured at cost less impairment, if any, until when their fair values become reliably determinable, which occur upon finalisation of the development plan, at which point in time the land and relocation costs and construction costs attributable to the investment property portion is reliably determinable.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of IFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is included in the profit or loss in the period in which the property is derecognised.

Properties under construction or development are transferred from inventories to investment properties when and only when there is evidence that substantiates the change in use. Properties held for sale are transferred to investment properties at the inception of operating lease. At the date of transfer, any difference between the fair value of the properties and their carrying amount is recognised in profit or loss.

Owner-occupied properties are transferred to investment properties when and only when there is a change in use evidenced by end of owner occupation. At the date of transfer, the properties are measured at their fair value, with any gain being recognised in other comprehensive income and accumulated in "property revaluation reserve", which will not be reclassified to profit or loss at the time of disposal (it will instead be transferred to retained earnings at the time of disposal), while with any loss being recognised in profit or loss.

Transfer from investment properties to property, plant and equipment will be made when there is a change in use evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

Transfer from investment properties under development to properties under development for sale will be made when there is a change in use evidenced by the commencement of development with a view to sale for a transfer from investment properties to properties under development for sale.

Property, plant and equipment

Property, plant and equipment, other than hotels under development, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Hotels under development held for owner's operation are stated at cost less subsequent accumulated impairment losses, if any. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. Significant Accounting Policies – continued

Property, plant and equipment – continued

Ownership interests in leasehold land and building – continued

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under IFRS 16 or prepaid lease payments under IAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained earnings.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than hotels under development, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of IFRS 16, 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. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of IFRS 16, 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 over which the Group has 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. Significant Accounting Policies – continued

Investments in associates and joint ventures – continued

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Impairment on property, plant and equipment and right-of-use assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant Accounting Policies – continued

Impairment on property, plant and equipment and right-of-use assets other than goodwill – continued

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. Significant Accounting Policies – continued

Financial instruments – continued

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial assets is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loans to associates, loans to joint ventures, trade receivables (including rental receviables), other receivables, amounts due from associates, amounts due from related companies, amounts due from joint ventures, pledged bank deposits, bank balances and cash, and other items (contract assets and financial guarantee contracts) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables (including rental receivables) and contract assets. The ECL on these assets are assessed individually for debtors with significant balances. The remaining balances are assessed collectively using a provision matrix with appropriate groupings.

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

3. Significant Accounting Policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued

(i) Significant increase in credit risk

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

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. Significant Accounting Policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. 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 (since 1 January 2019) or IAS 17 (prior to 1 January 2019).

3. Significant Accounting Policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued

(v) Measurement and recognition of ECL – continued

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment gain or loss in profit or loss for financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, with the exception for financial guarantee contracts, where the Group recognises an impairment gain or loss in profit or loss by adjusting their carrying amount.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

A financial instrument issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received.

3. Significant Accounting Policies – continued

Financial instruments – continued

Financial liabilities and equity – continued

Equity instruments – continued

A non-derivative contract that will or may oblige the Group to deliver a fixed number of a group entity's own ordinary shares (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity. A derivative contract that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of a group entity's own equity instruments (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity.

Perpetual capital securities, convertible perpetual securities and convertible perpetual capital securities issued by the Group that have the above characteristics are classified as equity instruments.

Financial liabilities at amortised cost

The Group's financial liabilities (including accounts payable, loans from a non-controlling shareholder of subsidiaries, receipts under securitisation arrangements, amount due to a joint venture, amount due to an associate, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, senior notes, and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, those subsequently measured at the higher of:

(i) the amount of the loss allowance determined in accordance with IFRS 9; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

3. Significant Accounting Policies – continued

Financial instruments – continued

Hedge accounting – continued

Assessment of hedging relationship and effectiveness

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

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

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedge item.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. Significant Accounting Policies – continued

Leases – continued

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office equipment 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 lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property, properties under development for sales or properties held for sale, as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties", "properties under development for sales" or "properties held for sale" accordingly.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. Significant Accounting Policies – continued

Leases – continued

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) – continued

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. Significant Accounting Policies – continued

Leases – continued

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as a lessor (upon application of IFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies – continued

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant Accounting Policies – continued

Taxation – continued

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies under "Hedge accounting" above).

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "exchange reserve" (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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.

3. Significant Accounting Policies – continued

Equity-settled share-based payment transactions – continued

Share options granted to employees (including Directors of the Company) – continued

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.

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.

3. Significant Accounting Policies – continued

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Revenue from contracts with customers

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

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

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

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

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

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

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. Significant Accounting Policies – continued

Revenue from contracts with customers – continued

Variable consideration

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

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

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

Existence of significant financing component

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

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component. For contracts where the period between the payment by the customer and the transfer of the promised good or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Incremental costs of obtaining a contract

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty – continued

Critical judgements in applying accounting policies – continued

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 convertible perpetual capital securities

Pursuant to the terms of the Perpetual Capital Securities (as defined in note 32) and Convertible Perpetual Capital Securities (as defined in note 31), a subsidiary of the Company, as an issuer of the Perpetual Capital Securities and Convertible Perpetual Capital Securities, can at its option to redeem the Perpetual Capital Securities and Convertible Perpetual Capital Securities and at its discretion to defer distributions on the Perpetual Capital Securities and Convertible 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 and Convertible 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 and Convertible Perpetual Capital Securities or to pay distributions on the Perpetual Capital Securities and Convertible Perpetual Capital Securities. Accordingly, the Perpetual Capital Securities and Convertible Perpetual Capital Securities are classified as equity instruments. As at 31 December 2019, the carrying amounts of the Perpetual Capital Securities and Convertible Perpetual Capital Securities are RMB4,056 million (2018: RMB4,055 million) and RMB1,345 million (2018: 1,345 million), respectively.

Deferred taxation on investment properties

In measuring the Group's deferred taxation on certain investment properties measured at fair value, the Directors of the Company have determined that the presumption that the carrying amounts of these investment properties measured using the fair value model were recovered through sales was not rebutted. The Directors of the Company have considered whether additional land appreciation tax ("Land Appreciation Tax") is required regarding potential asset transfer. After assessment, the Directors of the Company have concluded that the deferred tax liabilities recognised are adequate.

Key sources of estimation uncertainty

The followings are 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.

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, 34 and 46(c).

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty – continued

Key sources of estimation uncertainty – continued

Liability arising from a rental guarantee arrangement

As disclosed in note 34, the Group disposed of certain properties in prior years. As part of these disposals, the Group agreed to provide the purchasers of these properties with rental guarantees, which are based on the excess of a fixed rate of the consideration received by the Group over the net operating income to be generated by the properties. In measuring the fair value of the liability arising from the rental guarantee arrangement, the Group has prepared budgets regarding how much rental income can be generated from these properties. As of 31 December 2019, the Group has recognised liability arising from a rental guarantee arrangement amounting to RMB382 million (2018: RMB549 million), which, in the opinion of Directors of the Company, is the best estimate of the outstanding amount taking into account the forecasted unit rental and occupancy rate. Where there are significant changes to the estimates, the Group's liabilities would increase or decrease with the corresponding adjustment being made to the profit or loss.

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 all 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

Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of IFRS 16, 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 and valuation performed by independent professional valuers. The Group has recognised a reversal of impairment loss amounting to RMB9 million during the year ended 31 December 2019 (2018: an impairment loss of RMB54 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 Segmental Information

A. Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2019 RMB'million	2018 RMB'million
Property development:		
Property sales	**7,176**	22,131
Property management fee income and other income	**86**	96
	7,262	22,227
Property investment:		
Income from hotel operations	**94**	96
Property management fee income	**223**	153
	317	249
Construction	**538**	296
Others	**247**	206
	8,364	22,978
Geographical markets		
Shanghai	**6,389**	22,350
Wuhan	**51**	29
Foshan	**1,700**	288
Chongqing	**223**	311
Nanjing	**1**	–
	8,364	22,978
Timing of revenue recognition		
A point in time	**7,176**	22,131
Over time	**1,188**	847
	8,364	22,978

5. Revenue and Segmental 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 2019

	The Group RMB'million	Share of joint ventures RMB'million	Total RMB'million
Property development:			
Property sales	**7,176**	**659**	**7,835**
Property management fee income	**86**	**–**	**86**
	7,262	**659**	**7,921**
Property investment:			
Income from hotel operations	**94**	**–**	**94**
Property management fee income	**223**	**–**	**223**
	317	**–**	**317**
Construction	**538**	**–**	**538**
Others	**247**	**9**	**256**
Revenue from contracts with customers	**8,364**	**668**	**9,032**
Rental income received from investment properties (Note) (property investment segment)	**1,814**	**64**	**1,878**
Rental related income (property investment segment)	**214**	**25**	**239**
	10,392	**757**	**11,149**

Note:

	Year ended 31 December 2019 RMB'million
For operating leases:	
Lease payment that are fixed	**1,789**
Variable lease payments that do not depend on an index or a rate	**89**
	1,878

For the year ended 31 December 2018

	The Group RMB'million	Share of joint ventures RMB'million	Total RMB'million
Property development:			
Property sales	22,131	–	22,131
Property management fee income and other income	96	–	96
	22,227	–	22,227
Property investment:			
Income from hotel operations	96	–	96
Property management fee income	153	–	153
	249	–	249
Construction	296	–	296
Others	206	–	206
Revenue from contracts with customers	22,978	–	22,978
Rental income received from investment properties (property investment segment)	1,674	91	1,765
Rental related income (property investment segment)	189	–	189
	24,841	91	24,932

5. Revenue and Segmental Information – continued

B. Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information – continued

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 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.

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 (either monthly or quarterly billing period).

Hotel operations

The Group's performance obligation from hotel operations is to provide accommodation and other goods and services to guests. Revenue includes rooms revenue and food and beverage sales, which is recognised when the rooms are occupied and food and beverages are sold.

Rental and rental related income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing.

5. Revenue and Segmental Information – continued

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 2019 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'million	**Construction contracts RMB'million**
Within one year	**309**	**428**
More than one year but not more than two years	**3,211**	**78**
More than two years	**–**	**392**
	3,520	**898**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'million	Construction contracts RMB'million
Within one year	–	519
More than one year but not more than two years	903	215
More than two years	–	59
	903	793

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 director 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 three major reportable segments:

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

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 Group consider the various operating segments under property development and property investment 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 Segmental Information – continued

For the year ended 31 December 2019

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External revenue of the Group	7,262	2,345	538	10,145	247	10,392
Share of revenue of joint ventures	659	89	–	748	9	757
Total segment revenue	7,921	2,434	538	10,893	256	11,149
SEGMENT RESULTS						
Segment results of the Group	3,341	1,521	3	4,865	59	4,924
Interest income						488
Share of gains of associates and joint ventures						195
Finance costs, inclusive of exchange differences						(1,497)
Other gains and losses						(150)
Reversal of impairment losses under expected credit loss model						179
Unallocated income						48
Unallocated expenses						(332)
Profit before taxation						3,855
Taxation						(1,310)
Profit for the year						2,545
OTHER INFORMATION						
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions of completed investment properties and property plant and equipment	58	80	–	138	–	138
Capital additions of right-of-use assets	–	54	–	54	–	54
Development costs for investment properties under construction or development	–	419	–	419	–	419
Depreciation of property plant and equipment	36	54	–	90	–	90
Depreciation of right-of-use assets	–	29	–	29	–	29
Gain on disposal of investment properties	–	22	–	22	–	22
Increase in fair value of investment properties	–	256	–	256	–	256
FINANCIAL POSITION						
ASSETS						
Segment assets	20,410	53,410	91	73,911	77	73,988
Interests in associates						7,470
Interests in joint ventures						11,108
Loans to/amounts due from joint ventures						45
Loans to/amounts due from associates						778
Amounts due from related companies						416
Unallocated corporate assets						14,611
Consolidated total assets						108,416
LIABILITIES						
Segment liabilities	7,161	896	467	8,524	51	8,575
Unallocated corporate liabilities						50,534
Consolidated total liabilities						59,109

5. Revenue and Segmental Information – continued

For the year ended 31 December 2018

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External revenue of the Group	22,227	2,112	296	24,635	206	24,841
Share of revenue of joint ventures	–	91	–	91	–	91
Total segment revenue	22,227	2,203	296	24,726	206	24,932
SEGMENT RESULTS						
Segment results of the Group	5,257	2,168	11	7,436	96	7,532
Interest income						385
Share of gains of associates and joint ventures						61
Finance costs, inclusive of exchange differences						(1,583)
Other gains and losses						(1,024)
Provision of impairment losses under expected credit loss model						(122)
Unallocated income						15
Unallocated expenses						(349)
Profit before taxation						4,915
Taxation						(2,229)
Profit for the year						2,686
OTHER INFORMATION						
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions of completed investment properties and property, plant and equipment	11	133	–	144	–	144
Development costs for investment properties under construction or development	–	699	–	699	–	699
Additions of investment properties under construction or development through acquisition of a subsidiary	–	1,243	–	1,243	–	1,243
Depreciation of property, plant and equipment	22	76	–	98	–	98
Gain on disposal of investment properties through disposal of subsidiaries	–	194	–	194	–	194
Increase in fair value of investment properties	–	970	–	970	–	970
Decrease in fair value of call option to buy back an investment property	–	99	–	99	–	99
FINANCIAL POSITION						
ASSETS						
Segment assets	18,446	51,057	200	69,703	119	69,822
Interests in associates						4,998
Interests in joint ventures						10,682
Loans to/amounts due from joint ventures						1,853
Loans to/amounts due from associates						3,434
Amounts due from related companies						159
Unallocated corporate assets						19,302
Consolidated total assets						110,250
LIABILITIES						
Segment liabilities	14,016	1,613	248	15,877	44	15,921
Unallocated corporate liabilities						47,110
Consolidated total liabilities						63,031

5. Revenue and Segmental Information – continued

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

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, directors' salaries, interest income, share of gains of associates and joint ventures, other gains and losses except for decrease in fair value of call option to buy back an investment property, reversal (provision) 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 the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in joint ventures, loans to associates, loans to 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, restricted bank deposits, bank balances and cash and other unallocated corporate assets; and

- all liabilities are allocated to reportable segments other than receipts under securitisation arrangements, amount due to an associate, liability arising from a rental guarantee arrangement, lease liabilities, amounts due to related companies, loans from/amounts due to non-controlling shareholders of subsidiaries, 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 2019, a customer contributed RMB1,270 million to the revenue of the Group in respect of the property development segment. During the year ended 31 December 2018, a customer contributed RMB14,981 million to the revenue of the Group in respect of the property development segment.

6. Other Income, Other Gains and Losses

	2019 RMB'million	2018 RMB'million
Other income		
Interest income from banks	**324**	297
Interest income from associates (note 43)	**56**	25
Interest income from loans to joint ventures (note 43)	**108**	63
Grants received from local government	**28**	17
Others	**20**	15
	536	417
Other gains and losses		
Cost arising from hedging activities	**(150)**	(133)
Impairment loss on investment properties under development at cost (note(i))	**–**	(380)
Impairment loss of investment in a joint venture (note 18)	**–**	(376)
Loss on early redemption of senior notes	**–**	(78)
Gain on disposal of investment properties	**22**	11
Decrease in fair value of call option	**–**	(99)
Loss on termination of sales of beneficial interest in certain properties	**–**	(48)
Others	**(22)**	(20)
	(150)	(1,123)

Note:
(i) The amount represents the difference between the net realisable value of certain investment properties under development at cost in Foshan and the carrying amount of the properties recognised in profit or loss for the year ended 31 December 2018.

7. Finance Costs, Inclusive of Exchange Differences

	2019 RMB'million	2018 RMB'million
Interest on bank borrowings	**1,640**	1,658
Interest on senior notes (note 30)	**640**	612
Interest on loans from a non-controlling shareholder of subsidiaries	**–**	59
Interest expenses from lease liabilities	**5**	–
Total interest costs	**2,285**	2,329
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(1,033)**	(945)
Interest expense charged to profit or loss	**1,252**	1,384
Net exchange loss on bank borrowings and other financing activities	**205**	140
Others	**40**	59
	1,497	1,583

Borrowing costs capitalised during the year were calculated by applying a capitalisation rate of approximately 5.7% (2018: 5.2%) per annum to expenditure on the qualifying assets.

8. Profit Before Taxation

	2019 RMB'million	2018 RMB'million
Operating profit has been arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	**6**	6
Depreciation of property, plant and equipment	**90**	98
Release of prepaid lease payments	**–**	1
Depreciation of right-of-use assets	**29**	–
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and other benefits	**27**	18
	29	20
Other staff costs		
Salaries, bonuses and other benefits	**607**	580
Retirement benefits costs	**41**	38
Share option expenses	**–**	1
Share award expenses	**–**	1
	648	620
Total employee benefits expenses	**677**	640
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(65)**	(66)
	612	574
(Reversal) provision of impairment losses		
Accounts receivable	**1**	(58)
Receivables from disposal of a subsidiary	**(180)**	180
	(179)	122
Cost of properties sold recognised as an expense	**3,692**	16,621
(Reversal of) impairment loss on properties held for sale (included in "cost of sales")	**(9)**	54
Minimum lease payments under operating leases	**–**	34
Lease payments relating to short-term leases	**23**	–

9. Taxation

	2019 RMB'million	2018 RMB'million
PRC Enterprise Income Tax		
– Current provision	**781**	1,131
PRC Withholding Tax		
– Current provision	**87**	310
PRC Land Appreciation Tax		
– Provision for the year	**713**	589
Deferred taxation (note 35)		
– (Reversal) Provision for the year	**(271)**	199
	1,310	2,229

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

PRC Enterprise Income Tax ("EIT") has been provided for at the applicable income tax rate of 25% on the assessable profits of the companies in the Group during both 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 2019 and 31 December 2018, 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 Land Appreciation Tax is estimated per the requirements set forth in the relevant PRC tax laws and regulations. PRC Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

The current income tax provided for the current year also included applicable income taxes on transfers of equity interest in subsidiaries of the Group.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2019 RMB'million	2018 RMB'million
Profit before taxation	**3,855**	4,915
PRC Enterprise Income Tax at 25%	**964**	1,229
PRC Land Appreciation Tax	**713**	589
Tax effect of PRC Land Appreciation Tax	**(178)**	(147)
Net effect of withholding tax on income derived in the PRC	**(42)**	(78)
Tax effect of share of gains of associates and joint ventures	**(49)**	(15)
Tax effect of expenses not deductible for tax purposes	**493**	832
Tax effect of income not taxable for tax purposes	**(11)**	(17)
Tax effect of tax losses not recognised	**44**	32
Tax effect of utilisation of tax losses previously not recognised	**(7)**	(16)
Tax effect on disposals of subsidiaries (note)	**(267)**	(180)
Tax effect of different tax rate applied on deferred taxation	**(350)**	–
Tax charge for the year	**1,310**	2,229

Note:
EIT on disposals of subsidiaries is calculated at 10% of the difference between consideration and the deductible costs of the relevant subsidiary incorporated in the PRC.

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 RMB'000**	**Salaries RMB'000**	**Other benefits RMB'000**	**Performance related incentive payments-cash bonus RMB'000**	**Retirement benefit cost RMB'000**	**Share-based payment expenses RMB'000**	**2019 Total RMB'000**
Mr. Vincent H.S. LO	(a)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Douglas H.H. SUNG	(b)	**–**	**7,385**	**6,611**	**6,285**	**–**	**26**	**20,307**
Ms. Stephanie B.Y.LO	(c)	**–**	**4,519**	**8**	**1,386**	**195**	**26**	**6,134**
Mr. Frankie Y.L. WONG	(d)	**308**	**–**	**–**	**–**	**–**	**–**	**308**
Sir John R.H. BOND	(e)	**352**	**–**	**–**	**–**	**–**	**–**	**352**
Dr. William K.L. FUNG	(f)	**165**	**–**	**–**	**–**	**–**	**–**	**165**
Professor Gary C. BIDDLE	(e)	**528**	**–**	**–**	**–**	**–**	**–**	**528**
Dr. Roger L. McCARTHY	(e)	**352**	**–**	**–**	**–**	**–**	**–**	**352**
Mr. David J. SHAW	(e)	**352**	**–**	**–**	**–**	**–**	**–**	**352**
Mr. Anthony John Liddell NIGHTINGALE	(e)	**308**	**–**	**–**	**–**	**–**	**–**	**308**
Total for 2019		**2,365**	**11,904**	**6,619**	**7,671**	**195**	**52**	**28,806**

Name of Director	Notes	Fees RMB'000	Salaries RMB'000	Other benefits RMB'000	Performance related incentive payments-cash bonus RMB'000	Retirement benefit cost RMB'000	Share-based payment expenses RMB'000	2018 Total RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–
Mr. Douglas H.H. SUNG	(b)	–	5,830	4,511	3,328	–	41	13,710
Ms. Stephanie B.Y.LO	(c)	–	2,933	13	1,165	121	41	4,273
Mr. Frankie Y.L. WONG	(d)	296	–	–	–	–	–	296
Sir John R.H. BOND	(e)	339	–	–	–	–	–	339
Dr. William K.L. FUNG	(f)	381	–	–	–	–	–	381
Professor Gary C. BIDDLE	(e)	508	–	–	–	–	–	508
Dr. Roger L. McCARTHY	(e)	339	–	–	–	–	–	339
Mr. David J. SHAW	(e)	339	–	–	–	–	–	339
Mr. Anthony John Liddell NIGHTINGALE	(e)	296	–	–	–	–	–	296
Total for 2018		2,498	8,763	4,524	4,493	121	82	20,481

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 is a non-executive director of the Company
(e) Independent non-executive directors of the Company
(f) Dr. William K.L. FUNG retired from office and ceased to be Independent non-executive director effective from 31 May 2019.

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 one director (2018: one director), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining four (2018: four) highest paid employees who are not a director of the Company are as follows:

	2019 RMB'million	2018 RMB'million
Salaries	**17**	16
Other benefits	**3**	5
Performance related incentive payments	**11**	6
Retirement benefit costs	**–**	1
	31	28

The emoluments of the remaining highest paid employees were within the following bands:

	2019 Number of employees	2018 Number of employees
Emolument bands		
HK$6,500,001 – HK$7,000,000	**1**	1
HK$7,000,001 – HK$7,500,000	**2**	1
HK$8,500,001 – HK$9,000,000	**–**	1
HK$10,500,001 – HK$11,000,000	**–**	1
HK$13,500,001 – HK$14,000,000	**1**	–
	4	4

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

	2019 RMB'million	2018 RMB'million
Dividends recognised as distribution during the year:		
Interim dividend paid in respect of 2019 of HKD0.036 per share (2018: interim dividend paid in respect of 2018 of HKD0.036 per share)	**263**	253
Final dividend paid in respect of 2018 of HKD0.084 per share (2018: final dividend paid in respect of 2017 of HKD0.07 per share)	**595**	461
	858	714

A final dividend for the year ended 31 December 2019 of HKD0.084 (equivalent to RMB0.075 translated using the exchange rate of 0.89578 as at 31 December 2019) per share, amounting to HKD677 million (equivalent to RMB607 million translated using the exchange rate of 0.89578 as at 31 December 2019) in aggregate, was proposed by the Directors of the Company on 30 March 2020 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

12. Earnings Per Share

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

Earnings

	2019 RMB'million	2018 RMB'million
Earnings for the purpose of basic earnings per share, being profit for the year attributable to shareholders of the Company	**1,932**	1,906
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities	**116**	112
Earnings for the purpose of diluted earnings per share	**2,048**	2,018

Number of shares

	2019 'million	2018 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share (note (a))	**8,044**	8,043
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities	**676**	632
Outstanding share awards	**–**	1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,720**	8,676
Basic earnings per share (note (b))	**RMB24.0 cents**	RMB23.7 cents
	HKD27.3 cents	HKD28.0 cents
Diluted earnings per share (note (b))	**RMB23.5 cents**	RMB23.3 cents
	HKD26.7 cents	HKD27.5 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 (2018: 19,076,778) shares held by a share award scheme trust as set out in note 39.
(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 HKD1.136 for 2019 and RMB1.000 to HKD1.182 for 2018, 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 2019 and 2018, as appropriate.

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
At 1 January 2018	38,864	1,772	7,353	–	47,989
Additions	108	314	385	–	807
Transfer upon formation of a joint venture (note (a))	–	–	(1,609)	–	(1,609)
Disposals	(16)	–	–	–	(16)
Transfer upon completion	2,266	(2,266)	–	–	–
Transfer from property, plant and equipment (note 14, note (b))	54	–	–	–	54
Transfer to property, plant and equipment (note 14)	(8)	–	–	–	(8)
Transfer from properties held-for-sale	50	–	–	–	50
Increase in fair value of the investment properties recognised in profit or loss	642	328	–	–	970
Acquisition of a subsidiary	–	1,243	–	–	1,243
Impairment loss on investment properties under development at cost (note 6)	–	–	(380)	–	(380)
At 31 December 2018	41,960	1,391	5,749	–	49,100
At 31 December 2018					
– Stated at fair value	41,960	1,391	–	–	43,351
– Stated at cost	–	–	5,749	–	5,749
Adjustments (refer to IFRS16 transaction in note 2)	**–**	**–**	**–**	**73**	**73**
At 1 January 2019	**41,960**	**1,391**	**5,749**	**73**	**49,173**
Additions	**28**	**129**	**290**	**46**	**493**
Disposals	**(7)**	**–**	**–**	**–**	**(7)**
Transfer upon completion	**1,484**	**(1,484)**	**–**	**–**	**–**
Transfer upon construction commenced	**–**	**42**	**(42)**	**–**	**–**
Transfer from properties held-for-sale	**138**	**–**	**–**	**–**	**138**
Increase (decrease) in fair value of the investment properties recognised in profit or loss	**251**	**11**	**–**	**(6)**	**256**
Transfer due to refurbishment	**(966)**	**966**	**–**	**–**	**–**
Acquisition of a piece of leasehold land (note (c))	**–**	**1,860**	**–**	**–**	**1,860**
At 31 December 2019	**42,888**	**2,915**	**5,997**	**113**	**51,913**
At 31 December 2019					
– Stated at fair value	**42,888**	**2,915**	**–**	**113**	**45,916**
– Stated at cost	**–**	**–**	**5,997**	**–**	**5,997**

Notes:

(a) In July 2018, a wholly-owned subsidiary of the Company with strategic partners established a joint venture for carrying out property development project at a land in Shanghai. Upon the establishment, the historical costs invested by the Group into the land, net of taxes, was accounted as original investment and accordingly transferred to investment in a joint venture.

(b) During the year ended 31 December 2018, certain self-use properties with carrying amount of RMB49 million was transferred to completed investment properties upon the change in use of the properties evidenced by the end of owner-occupation. At the date of transfer, the gain on revaluation of properties transferred from property, plant and equipment to investment properties amounting to RMB5 million was recognised in other comprehensive income.

(c) On 1 November 2019, the Group acquired 100% effective interest in a commercial site located in Hong Shou Fang in Putuo District of Shanghai. The purchase price was RMB1,860 million.

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 carrying amount of RMB3,754 million (2018: RMB1,736 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 2019 and 31 December 2018, 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 2019 and 31 December 2018 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 RMB29,481 million (2018: RMB28,782 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 3.5% to 7.5% (2018: from 3.5% to 7.5%).	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 RMB3.0 to RMB22.0 (2018: from RMB2.9 to RMB18.5) 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 RMB7,180 million (2018: RMB7,157 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 4.5% to 6.25% (2018: from 4.5% to 6.25%).	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 RMB5.0 to RMB6.7 (2018: from RMB6.3 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 RMB4,445 million (2018: RMB4,325 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 4.5% to 5.5% (2018: from 4.0% 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 RMB2.1 to RMB5.2 (2018: from RMB1.9 to RMB5.2) 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
Completed investment properties – continued					
Completed investment properties located in Chongqing with an aggregate carrying amount of RMB1,782 million (2018: RMB1,696 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 5.0% (2018: 4.25% to 5.0%).	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 RMB1.3 to RMB2.3 (2018: from RMB0.4 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.
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 RMB2,915 million (2018: RMB1,391 million)	Level 3	Market-based Approach The key inputs are: 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 RMB4,450 million (2018: RMB1,420 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.

14. Property, Plant 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					
At 1 January 2018	863	636	50	510	2,059
Additions	24	–	1	11	36
Disposals	–	–	–	(15)	(15)
Transfer from completed investment properties (note 13)	8	–	–	–	8
Transfer to completed investment properties (note 13)	(50)	–	–	–	(50)
At 31 December 2018	845	636	51	506	2,038
Additions	**6**	**–**	**–**	**58**	**64**
Disposals	**–**	**–**	**–**	**(32)**	**(32)**
At 31 December 2019	**851**	**636**	**51**	**532**	**2,070**
ACCUMULATED DEPRECIATION					
At 1 January 2018	159	233	–	480	872
Charge for the year	48	28	–	22	98
Eliminated on disposals	–	–	–	(11)	(11)
Transfer to completed investment properties (note 13)	(1)	–	–	–	(1)
At 31 December 2018	206	261	–	491	958
Charge for the year	**26**	**28**	**–**	**36**	**90**
Eliminated on disposals	**–**	**–**	**–**	**(31)**	**(31)**
At 31 December 2019	**232**	**289**	**–**	**496**	**1,017**
CARRYING VALUES					
At 31 December 2019	**619**	**347**	**51**	**36**	**1,053**
At 31 December 2018	639	375	51	15	1,080

The carrying amounts of owner-occupied leasehold land and buildings of RMB527 million (2018: RMB543 million) and hotel properties of RMB347 million (2018: RMB375 million) at the end of the reporting period included both the leasehold land and building elements in property, plant 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 2019, the Directors of the Company conducted an impairment review on the property, plant and equipment and no impairment loss was recognised for the years ended 31 December 2019 and 2018.

The above items of property, plant and equipment, except for hotels under development, are depreciated on a straight-line basis at the following rates per annum:

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 $33^{1}/_{3}$%

15. Right-of-Use Assets

	Leasehold lands RMB'million	Leased properties RMB'million	Total RMB'million
As at 1 January 2019 Carrying amount	**31**	**28**	**59**
Depreciation charge	**(2)**	**(27)**	**(29)**
Additions	**12**	**54**	**66**
As at 31 December 2019 Carrying amount	**41**	**55**	**96**
For the year ended 31 December 2019			
Total cash outflow for leases			**63**

For both years, the Group leases various premises for its operations. Lease contracts are entered into for fixed term of 18 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 RMB45 million are recognised with related right-of-use assets of RMB55 million as at 31 December 2019. 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 2019, 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 RMB462 million .

16. Properties under Development for Sale

	2019 RMB'million	2018 RMB'million
At beginning of the year	**11,927**	18,112
Additions	**6,093**	7,914
Disposal of subsidiaries	**–**	(12,320)
Transfer to properties held for sale	**(165)**	(1,779)
At end of the year	**17,855**	11,927

Analysis of leasehold lands:

	Leasehold land RMB'million
As at 1 January 2019 Carrying amount	**7,117**
Additions	**3,985**
As at 31 December 2019 Carrying amount	**11,102**
For the year ended 31 December 2019	
Total cash outflow	**4,161**

Effective from 1 January 2019, the carrying amount of leasehold lands is measured under IFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation was charged on the leasehold lands taking into account the estimated residual values as at 31 December 2019.

Included in the properties under development for sale as at 31 December 2019 is carrying value of RMB16,885 million (2018: RMB11,916 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 is in the process of obtaining land use rights certificates in respect of properties under development for sale with the aggregate carrying amount of RMB4,741 million (2018: RMB8,639 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.

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

	Notes	**2019 RMB'million**	2018 RMB'million
Interests in associates			
– Cost of investments, unlisted	(a)	**7,554**	5,033
– Share of post-acquisition results, net of effect on elimination of unrealised interest income		**(84)**	(35)
		7,470	4,998
Loans to an associate – current			
– Unsecured, interest bearing and repayable within one year from the end of the reporting year	(b)	**450**	3,240
Amounts due from associates – current			
– Interest free	(c)	**328**	194
		778	3,434

Notes:
(a) On 29 December 2018, the Group entered into an agreement with two independent third parties to establish Top Fountain Limited ("Top Fountain") to engage in the investment in properties in the PRC. The Group holds 45% equity interest and voting right in Top Fountain and accounts this investment as an associate.
(b) The loans to an associate, representing the loans to 49.5% effective rights and interests pertaining to a net portfolio of certain residential properties in Shanghai RHXC, are unsecured, carrying interest at rates of 5.39% (2018: from 4.785% to 5.39%) per annum and repayable within twelve months from the end of the reporting year.
(c) The amounts due from associates are unsecured, interest free and repayable on demand.

Particulars of the Group's associates as at 31 December 2019 and 31 December 2018 are as follows:

	Proportion of voting rights held by the Group		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group			
Name of associate	**2019**	2018	**2019**	2018	Place of incorporation/ registration and operations	Principal activities
Interests pertaining to a net portfolio of certain residential properties in Shanghai RHXC held via Colour Bridge Holdings Limited ("Color Bridge")	**49.5%**	49.5%	**49.5%**	49.5%	PRC	Property development and other activities
Chongqing Shui On Tiandi Real Estate Development Company Limited ("Chongqing Shui On Tiandi") (Note)	**20%**	20%	**19.8%**	19.8%	PRC	Property development and other activities
Top Fountain	**45%**	45%	**45%**	45%	BVI	Investment holding

Note:
The Group is able to exercise significant influence over Chongqing Shui On Tiandi because it has the power to appoint one out of five directors under the Articles of Association of this associate.

17. Interests in Associates/Loans to/Amounts Due from Associates – continued

The summarised consolidated financial information of interests pertaining to a net portfolio of certain residential properties in Shanghai RHXC for the years ended 31 December 2019 and 31 December 2018 is set out below:

	2019 RMB'million	2018 RMB'million
Current assets	**19,517**	15,525
Non-current assets	**33**	–
Current liabilities	**10,394**	7,536
Non-current liabilities	**6**	–
Net assets	**9,150**	7,989
Revenue	**–**	–
Loss and total comprehensive expenses for the year	**(43)**	(3)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest pertaining to a net portfolio of certain residential properties in Shanghai RHXC recognised in the consolidated financial statements:

	2019 RMB'million	2018 RMB'million
Net assets of interests pertaining to a net portfolio of certain residential properties in Shanghai RHXC	**9,150**	7,989
Less: Non-controlling interests pertaining to a net portfolio of certain residential properties in Shanghai RHXC	**(14)**	(14)
Equity attributable to shareholders of Colour Bridge	**9,136**	7,975
Proportion of the Group's ownership interests in Colour Bridge	**50%**	50%
Group's share of net assets in Colour Bridge	**4,568**	3,987
Add: Elimination of unrealised interest expense capitalised as part of the cost of properties under development	**(81)**	(25)
Carrying amount of the Group's interests pertaining to a net portfolio of certain residential properties in Shanghai RHXC	**4,487**	3,962

17. Interests in Associates/Loans to/Amounts Due from Associates – continued

The summarised consolidated financial information of Chongqing Shui On Tiandi for the years ended 31 December 2019 and 31 December 2018 is set out below:

	2019 RMB'million	2018 RMB'million
Current assets	**11,862**	9,851
Non-current assets	**16**	35
Current liabilities	**6,365**	4,656
Non-current liabilities	**–**	–
Net assets	**5,513**	5,230
Revenue	**3,501**	–
Profit (loss) and total comprehensive income (expense) for the year	**283**	(31)

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:

	2019 RMB'million	2018 RMB'million
Net assets of Chongqing Shui On Tiandi	**5,513**	5,230
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	**1,092**	1,036

The summarised consolidated financial information of Top Fountain for the year ended 31 December 2019 is set out below (as at 31 December 2018, net assets of Top Fountain was RMB343,353):

	2019 RMB'million
Current assets	**56**
Non-current assets	**6,860**
Current liabilities	**127**
Non-current liabilities	**2,657**
Net assets	**4,132**
Revenue	**143**
Profit and total comprehensive income for the year	**111**

17. Interests in Associates/Loans to/Amounts Due from Associates – continued

Reconciliation of the above summarised financial information to the carrying amount of the interests in Top Fountain recognised in the consolidated financial statements:

	2019 RMB'million
Net assets of Top Fountain	**4,132**
Less:	
Non-controlling interests pertaining to Top Fountain	**(36)**
Equity attributable to shareholders of Top Fountain	**4,096**
Proportion of the Group's ownership interest in Top Fountain	**45%**
Other adjustment	**48**
Carrying amount of the Group's interest in Top Fountain	**1,891**

18. Interests in Joint Ventures/Loans to/Amounts Due from Joint Ventures

	2019 RMB'million	2018 RMB'million
Investment in joint ventures		
– Cost of investment, unlisted	**8,732**	8,858
– Impairment provision	**(376)**	(376)
– Share of post-acquisition results, net of effect on elimination of unrealised interest income	**214**	(23)
– Share of other comprehensive income of a joint venture	**(15)**	22
	8,555	8,481
Loans to joint ventures – non-current		
– Unsecured, interest bearing at 110% of People's Bank of China ("PBOC") Prescribed Interest Rate	**1,706**	1,488
Amounts due from joint ventures – non-current		
– Unsecured, interest free	**847**	713
	11,108	10,682
Loans to joint ventures-current		
– Unsecured, interest bearing at 110% of PBOC Prescribed Interest Rate and repayable in 2019	**–**	1,822
Amounts due from joint ventures-current		
– Unsecured, interest-free and repayable on demand	**45**	31
	45	1,853

18. Interests in Joint Ventures/Loans to/Amounts Due from Joint Ventures – continued

Particulars of the Group's joint ventures as at 31 December 2019 and 31 December 2018 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
	2019	2018	**2019**	2018		
Interests pertaining to a net portfolio of certain commercial properties in Shanghai RHXC# (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
上海磐興管理咨詢有限公司 (Shanghai Panxing Tiandi Co., Ltd) ("Shanghai Panxing")# (Note (c))	**N/A**	50%	**N/A**	49%	PRC	Property management and other activities
上海景綽企業發展有限公司 ("Shanghai Jingchuo")# (Note (d))	**49%**	49%	**49%**	49%	PRC	Property management and other activities
大連億達德基裝飾工程有限公司	**50%**	50%	**50%**	50%	PRC	Provision of decoration services
上海永麟投資管理有限公司 Shanghai Yong Lin Investment Management Limited ("Shanghai Yong Lin")# (Note (e))	**N/A**	50%	**N/A**	19.8%	PRC	Property management and other activities
Great Market Limited (Note (f))	**60%**	N/A	**58%**	N/A	Hong Kong	Investment holding

(a) In 2017, the Group entered into an agreement with an independent third party pursuant to which the Group would effectively dispose its 49.5% interests pertaining to a net portfolio of certain commercial properties via disposal of 21.4% equity interests in Shanghai RHXC, a subsidiary in which the Group originally owned 99% equity interest. Pursuant to joint venture agreement, the Group and the other equity owner (the "JV Partner 1", an independent third party which own 49.5% equity interests pertaining to a net portfolio of certain properties) are considered to have joint control over the net portfolio of certain commercial properties as major decisions that relate to the relevant activities of the net portfolio of certain commercial properties require unanimous consent from the Group and the JV Partner 1.

(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.
Pursuant to joint venture agreement, the Group and the other equity owners (the "JV Partners 2", two independent third parties which 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) In 2017, pursuant to the joint venture agreement and articles of association of Shanghai Panxing, the Group, through a wholly owned subsidiary, and the other equity owner (the "JV Partner 3", an independent third party which own 51% equity interest in Shanghai Panxing) are considered to have joint control over Shanghai Panxing as major decisions that relate to the relevant activities of Shanghai Panxing require unanimous consent from the Group and the JV Partner 3. The JV partner exited from the joint venture arrangement in August 2019 and thus Shanghai Panxing has become a subsidiary of the Group.

(d) 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 4", two independent third parties which 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 4.

(e) Pursuant to the memorandum and articles of association of Shanghai Yong Lin, the Group, through a subsidiary which the Company owns 99% equity interest, and the other equity owner (the "JV Partner 5", an independent third party which owns 80.2% equity interest in Shanghai Yong Lin) are considered to have joint control over Shanghai Yong Lin as major decisions that relate to the relevant activities of Shanghai Yong Lin require unanimous consent from the Group and the JV Partner 5. The Group exited from the joint venture in July 2019 and thus Shanghai Yong Lin is no longer a joint venture of the Group.

(f) 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. Great Market Limited can exercise joint control over and directly own 60% of the equity interest of Nanjing Jiangnan Cement Company Limited. 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 6").

English name is for identification only

18. Interests in Joint Ventures/Loans to/Amounts Due from Joint Ventures – continued

Summarised financial information of material joint ventures:

Summarised financial information in respect of the Group's material joint ventures, the interests pertaining to a net portfolio of certain commercial properties in Shanghai RHXC 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 a net portfolio of certain commercial properties in Shanghai RHXC:

	2019 RMB'million	2018 RMB'million
Current assets	**165**	101
Non-current assets	**12,124**	10,739
Current liabilities	**483**	1,342
Non-current liabilities	**3,522**	1,322

The above amounts of assets and liabilities include the following:

	2019 RMB'million	2018 RMB'million
Cash and cash equivalents	**107**	70
Current financial liabilities (excluding trade and other payables and provisions)	**59**	1,242
Non-current financial liabilities (excluding trade and other payables and provisions)	**3,399**	1,246
Revenue	**179**	183
Profit and total comprehensive income for the year	**108**	139

The above profit for the year includes the following:

	2019 RMB'million	2018 RMB'million
Depreciation and amortisation	**4**	2
Interest income	**2**	1
Interest expense	**70**	70

18. Interests in Joint Ventures/Loans to/Amounts Due from Joint Ventures – continued

Reconciliation of the above summarised financial information to the carrying amount of the interests pertaining to a net portfolio of certain commercial properties in Shanghai RHXC recognised in the consolidation financial statements:

	2019 RMB'million	2018 RMB'million
Net assets of interests pertaining to a net portfolio of certain commercial properties in Shanghai RHXC	**8,284**	8,176
Proportion of the Group's ownership interest pertaining to a net portfolio of certain commercial properties in Shanghai RHXC	**49.5%**	49.5%
	4,100	4,047
Add: Elimination of interest from loans to joint venture	**–**	(7)
Carrying amount of the Group's interest pertaining to a net portfolio of certain commercial properties in Shanghai RHXC	**4,100**	4,040

Shanghai Rui Yong Jing

	2019 RMB'million	2018 RMB'million
Current assets	**30**	429
Non-current assets	**17,464**	16,950
Current liabilities	**–**	11
Non-current liabilities	**237**	–

The above amounts of assets and liabilities include the following:

	2019 RMB'million	2018 RMB'million
Cash and cash equivalents	**19**	378
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**237**	–
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(113)**	–

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:

	2019 RMB'million	2018 RMB'million
Net assets of Shanghai Rui Yong Jing	**17,257**	17,368
Proportion of the Group's ownership interest in Shanghai Rui Yong Jing	**25%**	25%
	4,314	4,342
Transaction costs capitalized	**3**	3
Carrying amount of Shanghai Rui Yong Jing (note)	**4,317**	4,345

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 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 at 31 December 2019 and 31 December 2018.

18. Interests in Joint Ventures/Loans to/Amounts Due from Joint Ventures – continued

Aggregate information of joint ventures that are not individually material:

	2019 RMB'million	2018 RMB'million
The Group's share of gain from continuing operations	**163**	–
The Group's share of other comprehensive (expenses) income	**(37)**	22
The Group's share of total comprehensive income	**126**	22

Aggregate carrying amount of the Group's interests in these individually not material joint ventures:

	2019 RMB'million	2018 RMB'million
Investment in joint ventures	**138**	96

19. Accounts Receivable, Deposits and Prepayments

	2019 RMB'million	2018 RMB'million
Non-current assets comprise:		
Rental receivables in respect of rent-free periods	**206**	250
Trade receivables		
– goods and services	**62**	57
Deposits paid on investment in an associate	**–**	1,041
Other receivables	**–**	1
	268	1,349
Current assets comprise:		
Rental receivable in respect of rent-fee periods	**130**	106
Trade receivables		
– goods and services	**50**	68
– operating lease receivables	**24**	29
Prepayments of relocation costs (note)	**933**	347
Receivables from disposal of associates	**315**	1,735
Receivables from disposal of subsidiaries	**1,048**	447
Other deposits, prepayments and receivables	**664**	383
	3,164	3,115

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

19. Accounts Receivable, Deposits and Prepayments – continued

Trade receivables comprise:

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

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

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

As at 31 December 2019 and 31 December 2018, trade receivables from contracts with customers amounted to RMB112 million and RMB125 million respectively.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB136 million (2018: RMB154 million), of which 42% (2018: 52%) are past due less than 90 days, and 58% (2018: 48%) are past due over 90 days, as compared to when revenue was recognised.

Out of the past due balances, RMB79 million (2018: RMB 74 million) has been past due 90 days or more and is not considered as in default since the directors of the Group 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 2019 are set out in Note 46.

20. Contract Assets

	2019 RMB'million	2018 RMB'million
Construction	**53**	59

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 2019 are set out in Note 46.

21. Bank Balances and Cash/Pledged Bank Deposits

	2019 RMB'million	2018 RMB'million
Bank and cash – unrestricted	**7,662**	9,756
Bank balances – restricted	**2,908**	3,348
	10,570	13,104

Restricted bank balances as at 31 December 2019 and 2018 include:

- monies placed by the Group with banks amounting to RMB2,908 million (2018: RMB3,142 million) which can only be applied to designated property development projects of the Group.
- as at 31 December 2018, RMB206 million was placed in designated bank accounts for the guarantee of due performance in relation to the acquisition of all the remaining interest of a subsidiary, which was released in the year of 2019

Bank balances and restricted bank balances carry interest at market rates which range from 0.00% to 2.64% (2018: 0.00% to 1.495%) per annum.

21. Bank Balances and Cash/Pledged Bank Deposits – continued

Pledged bank deposits carry interest at fixed rates which range from 0.00% to 2.025% (2018: 0.30% to 1.61%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Deposits amounting to RMB1,289 million (2018: RMB1,796 million) have been pledged to secure long-term bank borrowings and are therefore classified as non-current assets. The remaining deposits have been pledged to secure short-term bank borrowings and are classified as current assets.

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

	2019 RMB'million	2018 RMB'million
Amounts due from related companies comprise:		
Fellow subsidiaries	**416**	159
Amounts due to related companies comprise:		
Fellow subsidiaries	**331**	15

An aggregate amount of RMB26 million as at 31 December 2019 (2018: RMB23 million) included in amounts due from related companies are trade nature and with the credit period of 40 days granted by the Group, of which 48% (2018: 50%) are past due less than 90 days, and 52% (2018: 50%) are past due over 90 days, as compared to when revenue was recognised. Out of the past due balances, RMB14 million (2018: RMB 12 million) has been past due 90 days or more and is not considered as in default since the directors of the Group consider that such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each related companies.

An aggregate amount of RMB390 million as at 31 December 2019 (2018: RMB136 million) included in amounts due from related companies are non-trade nature, unsecured and interest free.

In the opinion of the Directors of the Company, the amounts due from related companies amounting to RMB416 million (2018: RMB159 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 2019 are set out in Note 46.

24. Loans from/Amounts Due to Non-Controlling Shareholders of Subsidiaries

	2019 RMB'million	2018 RMB'million
Loans from a non-controlling shareholder of subsidiaries	**1,715**	1,710
Amounts due to non-controlling shareholders of subsidiaries	**69**	8
	1,784	1,718

As at 31 December 2019, the loans from a non-controlling shareholder of subsidiaries are unsecured, interest free and repayable on demand.

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand.

25. Accounts Payable, Deposits Received and Accrued Charges

	2019 RMB'million	2018 RMB'million
Current portion comprise:		
Trade payables	**1,349**	1,980
Relocation cost payables	**1,700**	2,681
Retention payables (note (a))	**253**	281
Deed tax and other tax payables	**168**	185
Deposits received and receipt in advance in respect of rental of investment properties	**791**	765
Value-added tax payable	**51**	7
Other payables and accrued charges	**1,252**	1,055
Payables for acquisition of the remaining interest in subsidiaries (note (b))	**–**	3,406
	5,564	10,360

Notes:
(a) Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.
(b) 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.

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB1,349 million (2018: RMB1,980 million), of which 84% (2018: 88%) are aged less than 30 days, 1% (2018: 1%) are aged between 31 to 60 days, and 15% (2018: 11%) are aged more than 90 days, based on invoice date.

26. Contract Liabilities

	2019 RMB'million	2018 RMB'million
Sales of properties	**3,127**	5,659

Revenue of RMB4,899 million was recognised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning balance of the year of 2019.

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. Included in the contract liabilities as at 31 December 2019 are balances of RMB2,906 million (2018: RMB760 million) which are expected to be realised after twelve months from the end of the reporting year.

27. Bank Borrowings

	2019 RMB'million	2018 RMB'million
Bank borrowings repayable within a period of*:		
– Not more than 1 year or on demand	**5,852**	12,782
– More than 1 year, but not exceeding 2 years	**7,875**	6,104
– More than 2 years, but not exceeding 5 years	**8,515**	3,813
– More than 5 years	**3,581**	3,622
	25,823	26,321
Less: Amount due within one year shown under current liabilities	**(5,852)**	(12,782)
Amount due after one year	**19,971**	13,539

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The carrying amounts of the Group's bank borrowings are analysed as follows:

Denominated in	Interest rate	**2019 RMB'million**	2018 RMB'million
RMB	90% to 125% (2018: 80% to 125%) of PBOC Prescribed Interest Rate	**13,119**	12,564
RMB	Nil (2018: at 6.02% – 6.25%)	**–**	1,080
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 1.0% to 4.0% (2018: HIBOR plus 1.0% to 4.0%)	**4,841**	3,726
US$	London Interbank Offered Rates ("LIBOR") plus 1.8% to 4.0% (2018: LIBOR plus 2.5% to 5.25%)	**7,863**	8,951
		25,823	26,321

As at 31 December 2019, the weighted average effective interest rate on the bank borrowings was 5.24% (2018: 5.43%), and are further analysed as follows:

	2019	2018
Denominated in RMB	**4.9%**	4.9%
Denominated in HK$	**6.3%**	5.9%
Denominated in US$	**5.2%**	6.1%

The bank borrowings at the end of the reporting year are secured by the pledge of assets as set out in note 40.

28. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	**US$'000**	**Number of shares**	**US$'000**
Ordinary shares of US$0.0025 each				
At 1 January 2018	**12,000,000,000**	**30,000**	**8,061,304,524**	**20,153**
Exercise of share options (note 39)	**–**	**–**	**911,800**	**2**
At 31 December 2018 and 31 December 2019	**12,000,000,000**	**30,000**	**8,062,216,324**	**20,155**

	2019 RMB'million	2018 RMB'million
Shown in the consolidated statement of financial position as	**146**	146

The new shares rank pari passu with the existing shares in all respects.

29. 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 comprise:

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 shareholder of the Company, which is wholly owned by 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 debit amount of RMB21 million represents capital contribution arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) A debit amount of RMB99 million represents non-distributable reserve arising from the capitalisation of retained earnings as registered capital of a subsidiary in the PRC in 2006.

(iv) 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.

29. Reserves – continued

(c) Other reserves mainly comprise: – continued

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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 which arose 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.

30. Senior Notes

	2019 RMB'million	2018 RMB'million
At 1 January	**7,424**	10,706
Issue of new senior notes	**5,417**	2,183
Less: Transaction costs directly attributable to issue of senior notes	**(7)**	(4)
Interest charged during the year	**640**	612
Loss on early redemption of senior notes	**–**	78
Less: Interest paid	**(531)**	(524)
Less: Repayment of senior notes	**(1,772)**	(5,761)
Exchange translation	**228**	134
At 31 December	**11,399**	7,424
Less: Amount due within one year shown under current liabilities	**–**	(1,722)
Amount due after one year	**11,399**	5,702

As at 31 December 2019, the effective interest rates on the senior notes ranged from 5.86% to 7.24% (2018: 4.7% to 7.24%) per annum.

Issuance of Senior Notes during the Current Year

On 28 February 2019, Shui On Development (Holding) Limited ("SODH"), a wholly owned subsidiary of the company, issued USD500 million senior notes ("2021 USD500 million Notes") to independent third parties with a maturity of two years and nine months due on 28 November 2021, bearing coupon at 6.25% per annum, payable semi-annually in arrears.

On 12 November 2019, SODH issued USD300 million senior notes ("2023 USD300 million Notes") to independent third parties with a maturity of four years due on 12 November 2023, bearing coupon at 5.75% per annum, payable semi-annually in arrears.

Principal Terms of 2021 USD500 Million Notes

The 2021 USD500 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 2021 USD500 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 prior to 28 November 2021, SODH may at its option redeem the 2021 USD500 million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2021 USD500 million Notes redeemed plus the Applicable Premium (see the definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

30. Senior Notes – continued

Principal Terms of 2021 USD500 Million Notes – continued

At any time and from time to time prior to 28 November 2021, SODH may redeem up to 35% of the aggregate principal amount of the 2021 USD500 million Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.25% of the principal amount of the 2021 USD500 million Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2021 USD500 million Notes issued on 28 February 2019 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 fair value of the option to early redeem the 2021 USD500 million Notes is insignificant at initial recognition and at the end of the reporting year.

"Applicable Premium" means with respect to the 2021 USD500 million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2021 USD500 million Notes and (2) the excess of (A) the present value at such redemption date of (i) the principal amount of the 2021 USD500 million Notes on 28 November 2021, plus (ii) all required remaining scheduled interest payments due on the 2021 USD500 million Notes through 28 November 2021 (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 2021 USD500 million Notes redeemed on such redemption date.

Principal Terms of 2023 USD300 Million Notes

The 2023 USD300 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 2023 USD300 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 SODH and the Company, 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 November 12, 2021, the Issuer may at its option redeem the 2023 USD300 million Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on November 12 of each of the years indicated below.

The proceeds will be used exclusively for the financing or the refinancing, in whole or in part, of projects funded by the Group that promote sustainable development in the real estate industry.

Period	Redemption Price
2021	102.875%
2022 and thereafter	101.4375%

At any time prior to 12 November 2021, SODH may at its option redeem the 2023 USD300 million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2023 USD300 million Notes redeemed plus the applicable premium (see the definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

30. Senior Notes – continued

Principal Terms of 2023 USD300 Million Notes – continued

At any time and from time to time prior to 12 November 2021, SODH may redeem up to 35% of the aggregate principal amount of the 2023 USD300 million Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 105.75% of the principal amount of the 2023 USD300 million Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2023 USD300 million Notes issued on November 12, 2019 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 fair value of the option to early redeem the 2023 USD300 million Notes is insignificant at initial recognition and at the end of the reporting year.

"Applicable Premium" means with respect to the 2023 USD300 million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2023 USD300 million Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption price of the 2023 USD300 million Notes at 12 November 2021, plus (ii) all required remaining scheduled interest payments due on the 2023 USD300 million Notes through 12 November 2021 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate of equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of the 2023 USD300 million Notes redeemed on such redemption date.

31. Convertible Perpetual Capital Securities

On 4 June 2015, SODH issued convertible perpetual capital securities ("CPCS") with an aggregate principal amount of US$225 million (equivalent to approximately RMB1,376 million translated using the spot rate as at 4 June 2015). The CPCS are guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH. Transaction costs relating to the issue of CPCS amounted to approximately RMB37 million.

Subject to the below, distributions shall be paid the semi-annually in arrears on each distribution payment date in cash at the following distribution rates:

- in respect of the period from, and including the issue date to, but excluding 4 June 2020, 7.5 per cent per annum;
- in respect of the periods (i) from, and including 4 June 2020 to, but excluding, the immediately following Reset Date (i.e. 4 June 2020 and each day falling every five calendar years after 4 June 2020) and (ii) from, and including each Reset Date falling thereafter to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate (i.e. the rate for U.S. Dollars Swaps with a maturity of 5 years from the relevant reset rate plus the 5.809% Initial Spread plus the 3.00% Step-Up Margin per annum).

SODH has, at its sole discretion, a right to elect to defer a distribution, unless a compulsory distribution payment event has occurred. If on any distribution payment date SODH elects not to pay a distribution, SODH and the Company, shall not, and the Company shall procure that no dividend, distribution or other payment is made on, any of its junior securities or parity obligations, or to redeem, reduce, cancel or buy-back or acquire for any consideration any of its junior securities, or parity obligations, unless and until SODH and the Company satisfies in full all arrears of distribution and the interest thereof or it is permitted to do so by an extraordinary resolution of the holders of the CPCS.

Key terms of the CPCS

A compulsory distribution payment event happens when (i) a discretionary dividend, distribution or other payment has been paid or declared by the Company or (ii) the Company or SODH has at its discretion repurchased, redeemed or otherwise acquired any of its junior securities, preference shares or parity securities.

The CPCS can be converted into ordinary shares of the Company at any time on or after 15 July 2015 at the option of the holders at a fixed conversion price of HK$3.2280 (at a fixed exchange rate of HK$7.7528 to US$1) per share of the Company, subject to certain anti-dilutive adjustments. Adjustments have been made to the conversion price from HK$2.76 to HK$2.58 as a result of the dividends paid by the Company to its ordinary shareholders in June 2019 and December 2019.

The CPCS have no fixed redemption date. SODH may at its option redeem all, but not some only, of the CPCS on 4 June 2020 or on any of 4 June or 4 December after 4 June 2020, and in certain specified circumstances specified in the agreements.

31. Convertible Perpetual Capital Securities – continued

Key terms of the CPCS – continued

In case of occurrence of any delisting or suspension of the trading of the Company's shares for more than 30 consecutive days that were initiated or made by the Company, the holder of CPCS will have the right to require the Company to procure the redemption of the CPCSs.

The CPCS are included in equity in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPCS.

Up to the date of the approval of the Group's consolidated financial statements for the year ended 31 December 2019, no CPCS have been converted into ordinary shares of the Company.

Any distributions made by SODH to the holders will be recognised in equity in the consolidated financial statements of the Group. The distribution amounting to RMB116 million (2018: RMB112 million) was paid during the current year.

32. Perpetual Capital Securities

Perpetual capital securities issued in 2017

On 20 June 2017, SODH issued US$600 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

	2019 RMB'million	2018 RMB'million
Call option to buy back an investment property	**–**	243
Currency forward contracts designated as hedging instruments	**103**	221
For the purpose of financial statement presentation:		
Non-current assets	**–**	243
Current assets	**103**	221
	103	464

Call option to buy back an investment property

In previous years, the Group disposed of its entire equity interest in a subsidiary (the "Disposed Subsidiary"), and the related intercompany loans, that indirectly, owned 99% interest in an investment property located in Shanghai, the PRC, to an independent third party for a cash consideration of RMB3,364 million.

In accordance with the relevant sale and purchase agreement entered into in previous years, the Group was granted a call option to repurchase all the equity interest of the Disposed Subsidiary and the related shareholder's loans within two months before the fifth anniversary or the seventh anniversary of the completion of the disposal (i.e. 18 December 2013), at a cash consideration that represented the original consideration plus a premium per annum.

During the reporting year, an associate of the Group, Top Fountain, purchased the entire equity interest of the disposed subsidiary and the related shareholder's loans from the independent third party. As a result, the call option was derecognised in the current year.

33. Derivative Financial Instruments – continued

Currency forward contracts designated as hedging instruments

During the years ended 31 December 2018 and 2019, the Group entered into several currency forward contracts to reduce currency exchange fluctuation of the Group's certain senior notes and bank borrowings. They are qualified for hedge accounting as cash flow hedge.

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	2019	2018
Outstanding currency forward contracts:		
Carrying amount (RMB'million)	**103**	221
Notional amount (original foreign currency) ('million)	**USD1,260**	USD954
	HKD800	HKD1,050
Notional amount (RMB'million)	**9,507**	7,468
Maturity date	**2020/2/13-2020/11/16**	2019/2/1-2019/11/7
Hedge ratio (Note)	**1:1**	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB'million)	**(103)**	(221)
Change in value of hedged item used to determine hedge effectiveness during the year (RMB'million)	**218**	328
Strike rate	**USD: RMB6.7190-7.1900**	USD: RMB 6.4385-7.0745
	HKD: RMB0.8635-0.8998	HKD: RMB 0.8285-0.8988

Note:
The currency forward contracts are denominated in the same currency as the highly probable future debt payments, therefore the hedge ratio is 1:1.

34. Liability Arising From a Rental Guarantee Arrangement

	2019 RMB'million	2018 RMB'million
Rental guarantees, at fair values	**382**	549
For the purpose of financial statements presentation:		
Non-current liabilities	**208**	380
Current liabilities	**174**	169
	382	549

During the year ended 31 December 2014, the Group disposed of an investment property to an independent third party ("purchaser") for a cash consideration of RMB2,412 million. As part of the disposal, the Group also agreed to provide the purchaser with a rental guarantee whereby the Group agreed to compensate the purchaser on a yearly basis, from the date when the first instalment was received till 31 January 2019 which could be further extended by the purchaser for three times, each for a one-year period when certain conditions are met, the shortfall between a fixed rate of the consideration received by the Group from the purchaser and the net operating income to be generated by the property. On the other hand, the Group shall be entitled to receive from the purchaser a fee amounting to 80% of the excess of net operating income above a fixed rate of the consideration received by the Group from the purchaser.

In the current year, the Group has reassessed and revised the related cash flow forecast take into account the latest market conditions.

34. Liability Arising From a Rental Guarantee Arrangement – continued

As at 31 December 2019, the fair value of financial liability arising from the abovementioned rental guarantee arrangement, which is calculated by using Monte-Carlo simulation using the following assumptions:

	2019	2018
Estimated office unit rental	**RMB81 to RMB85 per square meter**	RMB81 to RMB84 per square meter
Occupancy rate	**84% to 95%**	68% to 90%
Risk-free rate	**2.47%**	2.65%
Discount rate	**8.46%**	9.89%
Expected expiry date (in accordance with conditional term as described above)	**31 January 2022**	31 January 2022

Risk-free rates represent the corresponding yield to maturity of respective China Sovereign Fixed Rate.

No amount (2018: Nil) has been recognised in profit or loss in the current year to reflect changes in estimates.

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

35. Deferred Tax Assets/Liabilities

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation RMB'million	Revaluation of investment properties RMB'million	Tax losses RMB'million	Recognition of sales and related cost of sales RMB'million	Withholding tax on income derived in the PRC RMB'million	Others RMB'million	Total RMB'million
At 1 January 2018	1,697	4,210	(334)	125	444	(489)	5,653
Charge (credit) to profit or loss	134	241	(124)	153	(229)	24	199
Charge to other comprehensive income	–	1	–	–	–	–	1
Transfer upon formation of a joint venture (Note 13(a))	(402)	–	–	–	–	–	(402)
Acquisition of subsidiaries	–	–	(4)	–	–	–	(4)
At 31 December 2018	1,429	4,452	(462)	278	215	(465)	5,447
Charge (credit) to profit or loss	**168**	**(283)**	**40**	**(148)**	**(129)**	**81**	**(271)**
Paid in current year	**–**	**–**	**–**	**–**	**(64)**	**–**	**(64)**
Acquisition of subsidiaries	**–**	**–**	**(3)**	**–**	**–**	**–**	**(3)**
At 31 December 2019	**1,597**	**4,169**	**(425)**	**130**	**22**	**(384)**	**5,109**

35. 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:

	2019 RMB'million	2018 RMB'million
Deferred tax assets	**(922)**	(1,043)
Deferred tax liabilities	**6,031**	6,490
	5,109	5,447

At the end of the reporting year, the Group has unused tax losses of RMB2,563 million (2018: RMB2,708 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB1,700 million (2018: RMB1,848 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB863 million (2018: RMB860 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2019 RMB'million	2018 RMB'million
2019	–	144
2020	**154**	154
2021	**257**	257
2022	**179**	179
2023	**98**	126
2024	**175**	–
	863	860

36. 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 movement of the Receipts Under Securitisation Arrangements for the year is set out below:

	RMB'million
Carrying amount at issuance and as at 1 January 2019	**524**
Less: Repayment of principal	**(5)**
Carrying amount as at 31 December 2019	**519**
Less: Amount due within one year shown under current liabilities	**(7)**
Amount due after one year	**512**

37. 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 2019 is RMB1 million (2018: RMB2 million).

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 2019 and 31 December 2018 by Ms. Elaine Hwang 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	
	2019	2018
Discount rate per annum	**1.8%**	1.8%
Expected rate of salary increase	**3.5%**	3.5%

The actuarial valuation showed that the market value of plan assets was RMB31 million (2018: RMB46 million) and that the actuarial value of these assets represented 84% (2018: 85%) of the benefits that had accrued to members.

37. 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:

	2019 RMB'million	2018 RMB'million
Service cost and components of defined benefit costs recognised in profit or loss:		
– Current service cost	**1**	2
	1	2
Remeasurement of the net defined benefit liability and components of defined benefit costs recognised in other comprehensive income:		
– Return on plan assets (excluding amounts included in net interest expense)	**(3)**	6
– Actuarial gains and losses arising from changes in financial assumptions	**–**	(2)
– Actuarial gains and losses arising from experience adjustments	**–**	(1)
	(3)	3
Total	**(2)**	5

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:

	2019 RMB'million	2018 RMB'million
Present value of funded defined benefit obligations	**37**	54
Fair value of plan assets	**(31)**	(46)
Net liabilities arising from defined benefit obligations	**6**	8

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2019 RMB'million	2018 RMB'million
At 1 January	**54**	61
Current service cost	**1**	2
Interest cost	**1**	1
Remeasurement gains:		
– Actuarial gains and losses arising from changes in financial assumptions	**–**	(2)
– Actuarial gains and losses arising from experience adjustments	**–**	(1)
Contributions from plan participants	**1**	1
Benefits paid from scheme assets	**(21)**	(11)
Exchange realignment	**1**	3
At 31 December	**37**	54

37. 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:

	2019 RMB'million	2018 RMB'million
At 1 January	**46**	56
Remeasurement (loss) gain:		
– Interest income on scheme assets	**1**	1
– Return on plan assets (excluding amounts included in net interest expense)	**3**	(6)
Contributions from the employer	**1**	2
Contributions from plan participants	**1**	1
Benefits paid from scheme assets	**(21)**	(11)
Exchange realignment	**–**	3
At 31 December	**31**	46

The major categories of plan assets at the end of the reporting year are as follows:

	2019 RMB'million	2018 RMB'million
Equities	**1**	30
Hedge funds	**–**	6
Bonds and cash	**30**	10
	31	46

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual return on plan assets was gain of RMB4 million (2018: loss of RMB5 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 2019 is 5.6 years (2018: 4.3 years).

The Group expects to make a contribution of RMB1 million (2018: 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 2019 amounted to RMB39 million (2018: RMB38 million).

38. Disposal

Disposal of 49.5% effective rights and interests pertaining to a portfolio of certain properties for residential development of Shanghai Rui Hong Xin Cheng Co., Ltd. ("Shanghai RHXC")

On 26 June 2018, the Group entered into an agreement with an independent third party pursuant to which the Group would effectively dispose of its 49.5% interests pertaining to the portfolio of certain properties for residential development via disposal of 50% equity interests in Colour Bridge, a subsidiary in which the Group originally owned 100% equity interest, at a consideration of approximately RMB4,589 million. In June 2018, the equity disposal was completed and the Group accounted for the remaining interest as interest in an associate upon the loss of the control.

The net assets of the portfolio of certain properties for residential development of Shanghai RHXC at the date of the disposal were as follows:

	RMB'million
Net assets disposed of:	
Properties under development for sale	**12,046**
Accounts receivable, deposits and prepayments	**6**
Accounts payable, accrued charges and deposits received	**(3)**
Amount due to group companies	**(1,229)**
Bank borrowings	**(5,818)**
	5,002
Gain on disposal of subsidiaries:	
Cash consideration	**4,589**
Less: Transaction costs payable	**(30)**
Less: Net assets disposed of	**(5,002)**
Add: Non-controlling interests	**14**
Add: Fair value of the remaining interest accounted for as interest in an associate	**4,589**
Gain on disposal	**4,160**

The Group recognised gain on disposal of RMB2,754 million for the year ended 31 December 2018. The disposal was accounted for as a sale of property inventories in the ordinary course of the Group's property business, and the Group recognises revenue when "control" of the properties was transferred to the customer at a point in time. As the Group's entitlement to certain consideration was contingent on the occurrence or non-occurrence of a future event thus the transaction price included a variable consideration, the Group would record such part of consideration only when it became probable that a significant reversal in the amount of cumulative revenue would not occur when uncertainty associated with variable consideration was subsequently resolved. Revenue from the sale of properties under development for sale amounting to RMB14,981 million and the cost of sales amounting to RMB12,197 million were recognised, representing 99% interest disposed by the Group.

During the year ended 31 December 2019, the variable consideration was recognised and the net assets value was adjusted. Revenue from the sale of properties under development for sale amounting to RMB1,270 million was recognised.

39. 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 2019, 13,336,162 share options (2018: 20,906,632 share options) remains outstanding under the Scheme, representing 0.2% (2018: 0.3%) 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	**At 1 January 2019**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2019**
18 January 2012	2.41	**5,704,006**	**–**	**–**	**(1,415,044)**	**4,288,962**
3 September 2012	4.93	**4,353,626**	**–**	**–**	**(4,353,626)**	**–**
7 July 2015	2.092	**4,262,800**	**–**	**–**	**(837,400)**	**3,425,400**
4 July 2016	1.98	**6,586,200**	**–**	**–**	**(964,400)**	**5,621,800**
		20,906,632	**–**	**–**	**(7,570,470)**	**13,336,162**
Categorised as:						
Directors		**874,000**	**–**	**–**	**–**	**874,000**
Employees		**20,032,632**	**–**	**–**	**(7,570,470)**	**12,462,162**
		20,906,632	**–**	**–**	**(7,570,470)**	**13,336,162**
Number of options exercisable		**14,660,632**				**10,075,762**

39. Share-Based Payment Transactions – continued

Share option scheme – continued

		Number of options				
Date of grant	Exercise price HKD	At 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2018
18 January 2012	2.41	7,271,261	–	–	(1,567,255)	5,704,006
3 September 2012	4.93	7,712,176	–	–	(3,358,550)	4,353,626
7 July 2015	2.092	5,675,200	–	(570,000)	(842,400)	4,262,800
4 July 2016	1.98	8,387,400	–	(341,800)	(1,459,400)	6,586,200
		29,046,037	–	(911,800)	(7,227,605)	20,906,632
Categorised as:						
Directors (note (a))		874,000	–	–	–	874,000
Employees		28,172,037	–	(911,800)	(7,227,605)	20,032,632
		29,046,037	–	(911,800)	(7,227,605)	20,906,632
Number of options exercisable		17,327,381				14,660,632

In respect of the share options exercised during the year ended 31 December 2018, the weighted average share price at the date of exercise is HKD2.29.

Note:
(a) A senior management was appointed as an executive director on 27 August 2018.

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 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

39. Share-Based Payment Transactions – continued

Share option scheme – continued

The vesting period and the exercisable period of the share options granted to eligible employees and Directors on 3 September 2012 are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to 4 November 2012	From 5 November 2012 to 4 November 2017
The second 1/7 of the grant:	From date of grant to 4 November 2013	From 5 November 2013 to 4 November 2018
The third 1/7 of the grant:	From date of grant to 4 November 2014	From 5 November 2014 to 4 November 2019
The fourth 1/7 of the grant:	From date of grant to 4 November 2015	From 5 November 2015 to 4 November 2019
The fifth 1/7 of the grant:	From date of grant to 4 November 2016	From 5 November 2016 to 4 November 2019
The sixth 1/7 of the grant:	From date of grant to 4 November 2017	From 5 November 2017 to 4 November 2019
The last 1/7 of the grant:	From date of grant to 4 November 2018	From 5 November 2018 to 4 November 2019

The vesting period and the exercisable period of the share options granted to eligible employees and Directors 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 RMB421,000 (2018: RMB1 million) in the profit or loss in relation to share options granted by the Company.

During the year ended 31 December 2019, no (2018: 911,800) 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.

39. Share-Based Payment Transactions – continued

Share award scheme – continued

The movement in the Company's award shares is set out below:

Vesting dates	Outstanding at 1 January 2019	Movement during the year			Outstanding at 31 December 2019
		Awarded	Vested	Lapsed	
Connected Employee Share Award Scheme					
2 January 2019	**788,528**	**–**	**(788,528)**	**–**	**–**
	788,528	**–**	**(788,528)**	**–**	**–**
Employee Share Award Scheme					
2 January 2019	**578,000**	**–**	**(578,000)**	**–**	**–**
	1,366,528	**–**	**(1,366,528)**	**–**	**–**

Vesting dates	Outstanding at 1 January 2018	Movement during the year			Outstanding at 31 December 2018
		Awarded	Vested	Lapsed	
Connected Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	6,119,500	–	(2,346,688)	(3,772,812)	–
2 January 2018	3,059,750	–	(1,173,347)	(1,886,403)	–
2 January 2019	3,059,750	–	(47,187)	(2,224,035)	788,528
	12,239,000	–	(3,567,222)	(7,883,250)	788,528
Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	2,448,000	–	(1,428,000)	(1,020,000)	–
2 January 2018	1,224,000	–	(714,000)	(510,000)	–
2 January 2019	1,224,000	–	(68,000)	(578,000)	578,000
	4,896,000	–	(2,210,000)	(2,108,000)	578,000
	17,135,000	–	(5,777,222)	(9,991,250)	1,366,528

As at 31 December 2019, 17,710,250 (31 December 2018: 19,076,778) shares are allocated at par and held by the trust for the share award schemes.

The aggregate fair value of 24,854,000 award shares determined based on the share price of the Company at the date of grant amounted to approximately HKD45 million (approximately RMB39 million). Nil (2018: RMB1 million) was recognised as an expense in profit or loss for the current year with the corresponding credit being recognised in equity under the heading of "share award reserve".

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:

	2019 RMB'million	2018 RMB'million
Investment properties	**30,079**	32,250
Property, plant and equipment	**86**	76
Right-of-use assets	**6**	–
Prepaid lease payments	**–**	7
Properties under development for sale	**7,108**	1,833
Properties held for sale	**–**	543
Accounts receivable	**37**	39
Bank deposits	**1,289**	2,288
	38,605	37,036

41. Operating Lease

As lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'million
Within one year	40
In the second to fifth year inclusive	51
Over five years	529
	620

As lessor

Property rental income in respect of the investment properties earned of RMB1,814 million (2018: RMB1,674 million), net of outgoings of RMB205 million (2018: RMB200 million), is RMB1,609 million (2018: RMB1,474 million). The investment properties held have committed tenants for the next one to ten years at fixed rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2019 amounting to RMB86 million (2018: RMB73 million). These contingent rentals are generally based on specified percentages of revenue of the tenants.

Minimum lease payments receivable on leases are as follows:

	2019 RMB'million
Within one year	**1,689**
In the second year	**1,236**
In the third year	**695**
In the fourth year	**340**
In the fifth year	**161**
After five years	**204**
	4,325

41. Operating Lease – continued

As lessor – continued

The Group had contracted with lessees for the following future minimum lease payments (i.e. fixed rental income):

	2018 RMB'million
Within one year	1,501
In the second to fifth year inclusive	2,393
Over five years	255
	4,149

42. Commitments and Contingencies

(a) Capital and other commitments

At the end of the reporting year, the Group has the following commitments:

	2019 RMB'million	2018 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	**676**	731
Development costs for properties under development held for sale	**1,576**	1,475
Investment in an associate (Note)	**–**	1,295
	2,252	3,501

Note:
On 29 December 2018, the Group entered into an agreement with two independent third parties to establish an associate company to engage in the investment in properties in the PRC and the management and administration of such properties.

(b) Contingent liabilities

(i) The Group provided guarantees of RMB1,152 million as at 31 December 2019 (31 December 2018: RMB1,398 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, accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2019 and 31 December 2018. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

43. Related Party Transactions

Apart from the related party transactions and balances as stated in notes 17, 18, 23 and 24, the Group has the following transactions with related companies during the year:

	2019 RMB'million	2018 RMB'million
SOCL and its subsidiaries other than those of the Group		
Rental and building management fee expenses	**6**	4
Travelling expenses	**–**	9
*SOCAM and its subsidiaries, being subsidiaries of SOCL**		
Revenue from construction services	**60**	67
Associates		
Revenue from constructive service	**365**	121
Interest income	**56**	25
Asset management fee and lease commission fee	**23**	–
Joint ventures		
Project management fee income	**95**	63
Interest income	**108**	63
Asset management fee income	**13**	11
Construction income	**42**	21
Rental and labor fee income	**9**	–
Non-controlling shareholder of subsidiaries		
Interest expense	**–**	59
Asset management fee expense	**6**	6
Key management personnel		
Property sales	**24**	–
Short-term benefits	**70**	72
Post-employment benefits	**1**	1
	71	73

* During the year, the Group acquired 58% of the issued share capital of Great Market Limited from an indirectly wholly-owned subsidiary of SOCAM, which is a fellow subsidiary of the Group, for a total transaction amount of RMB148 million.

44. Events after the Reporting Period

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

On 3 March 2020, SODH issued USD490 million senior notes with a maturity of five years due on 3 March 2025 (the "New Notes"), bearing coupon at 5.5% per annum, payable semi-annually in arrears. Meanwhile, pursuant to the exchange and tender offer, an aggregate principal amount of USD90 million of the New Notes and an aggregate cash consideration of USD313 million were paid by SODH to eligible holders of certain senior notes issued in prior years.

45. 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 27, 30 and 36 respectively net of bank balances and cash, restricted bank deposits and pledged bank deposits, and equity comprising issued share capital and reserves, convertible perpetual capital securities, 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 on the basis of dividing the excess of the sum of bank borrowings, senior notes and receipts under securitisation arrangements over the sum of bank balances and cash (inclusive of restricted bank deposits and pledged bank deposits) 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:

	2019 RMB'million	2018 RMB'million
Bank borrowings	**25,823**	26,321
Senior notes	**11,399**	7,424
Receipts under securitisation arrangements	**519**	524
Pledged bank deposits	**(1,289)**	(2,288)
Bank balances and cash	**(10,570)**	(13,104)
Net debt	**25,882**	18,877
Total equity	**49,307**	47,219
Net debt to total equity	**52%**	40%

46. Financial Instruments

a. Categories of financial instruments

	2019 RMB'million	2018 RMB'million
Financial assets		
Derivative financial assets	**103**	464
Financial assets at amortised cost	**17,150**	25,320
Financial liabilities		
Amortised cost	**44,679**	45,793
Liability arising from a rental guarantee arrangement	**382**	549

46. Financial Instruments – continued

b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial assets, loans to associates, loans to joint ventures, accounts receivable, amounts due from associates, amounts due from related companies, amounts due from joint ventures, pledged bank deposits, restricted bank deposits, bank balances and cash, accounts payable, amount due to a joint venture, amount due to an associate, amounts due to related companies, loans from a non-controlling shareholder of subsidiaries, amounts due to non-controlling shareholders of subsidiaries, bank borrowings, senior notes, receipts under securitisation arrangements, 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.

The Group applies hedge accounting 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 main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting year are as follows:

	2019 RMB'million	2018 RMB'million
HK$		
Assets	**536**	230
Liabilities	**4,156**	2,876
US$		
Assets	**598**	1,651
Liabilities	**8,368**	7,712

The Group has entered into such forward contracts in relation to the foreign currency denominated monetary liabilities amounting to RMB9,507 million (equivalent to USD1,260 million and HKD800 million respectively) (31 December 2018: RMB7,468 million (equivalent to USD954 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).

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$.

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.

46. Financial Instruments – continued

b. Financial risk management objectives and policies – continued

Currency risk – continued

Sensitivity analysis – continued

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 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	**2019 RMB'million**	2018 RMB'million
HK$			
Profit or loss	(i)	**172**	126
US$			
Profit or loss	(ii)	**370**	289

Notes:
(i) This is mainly attributable to the exposure outstanding on bank balances and cash and bank borrowings denominated in HK$ not subject to cash flow hedges at the end of the reporting period.
(ii) This is mainly attributable to the exposure outstanding on bank balances and cash, bank borrowings and senior notes denominated in US$ not subject to cash flow hedges at the end of the reporting period.

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 27) at variable rates.

The Group's fair value interest rate risk relates primarily to fixed rate pledged bank deposits (note 21), bank borrowings (note 27), senior notes (note 30) and receipts under securitisation arrangements (note 36).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and PBOC prescribed interest rate arising from the Group's HK$, US$ 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 for the year ended 31 December 2019 would decrease/increase by RMB127 million (2018: RMB138 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.

46. Financial Instruments – continued

b. Financial risk management objectives and policies – continued

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 42.

The Group's credit risk is primarily attributable to its loans to related parties (including loans to associates, loans to joint ventures, amounts due from associates, amounts due from related companies and amounts due from joint ventures), accounts receivable, other receivables (including other receivables, receivables from disposal of subsidiaries and receivables from disposal of associates), contract assets, cash deposits with banks and amount in relation to the financial guarantees provided by the Group.

Accounts receivable 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 are 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 and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

Loans to related parties

The Group has loans to related parties including loans to associates, loans to joint ventures, 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 venture. The Group's credit risks in the loans to/amounts due from associates/ joint ventures 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 are no significant increase in credit risk of loans to associates, loans to joint ventures, amounts due from associates and amounts due from joint ventures since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2019 and 2018, the Group assessed the ECL for loans to related parties were insignificant and thus no loss allowance was recognised.

The Group has concentration of credit risk from loans to joint ventures of RMB1,706 million (2018: RMB3,310 million), amounts due from joint ventures of RMB892 million (2018: RMB744 million), amounts due from related companies of RMB416 million (2018: RMB103 million), loans to associates of RMB450 million (2018: 3,240million) and amounts due from associates of RMB328 million (2018: RMB194 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.

46. Financial Instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

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 is able to 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. Accounts receivable consist of a large number of customers and counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivable/ 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

46. Financial Instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Contingent liabilities in relation to the financial guarantees – continued

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	**2019 Gross carrying amount RMB'million**	2018 Gross carrying amount RMB'million
Financial assets at amortised cost						
Accounts receivable	19	N/A	Note 3	Lifetime ECL (provision matrix)	**170**	188
Loans to/amounts due from associates	17	N/A	Note 1	12-month ECL	**778**	3,434
Loans to/amounts due from joint ventures	18	N/A	Note 1	12-month ECL	**2,598**	4,054
Amounts due from related companies	23	N/A	Note 1	Lifetime ECL (not credit-impaired)	**416**	103
Other receivables (including receivables from disposal of subsidiaries and receivables from disposal of associates)	19	N/A	Note 1	12-month ECL	**1,363**	2,182
				Lifetime ECL (credit-impaired)	**–**	180
					1,363	2,362
Pledged bank deposits	21	aaa to a	N/A	12-month ECL	**1,289**	2,288
Bank balances and cash	21	aaa to a	N/A	12-month ECL	**10,570**	13,104
Other items						
Contract assets	20	N/A	Note 3	Lifetime ECL (provision matrix)	**53**	59
Financial guarantee contracts (Note 2)	42	N/A	Low risk	12-month ECL	**1,152**	1,398

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
2019			
Loans to/amounts due from associates	**–**	**778**	**778**
Loans to/amounts due from joint ventures	**–**	**2,598**	**2,598**
Amounts due from related companies	**103**	**313**	**416**
Other receivables	**–**	**1,363**	**1,363**
	103	**5,052**	**5,155**
2018			
Loans to/amounts due from associates	–	3,434	3,434
Loans to/amounts due from joint ventures	–	4,054	4,054
Amounts due from related companies	100	3	103
Other receivables	–	2,182	2,182
	100	9,673	9,773

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 has guaranteed under the respective contracts was RMB1,152 million as at 31 December 2019 (2018:RMB1,398 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 12m ECL. The Directors of the Company considered that the 12m ECL allowance is insignificant at 1 January 2019 and 31 December 2019.
3. For accounts receivable 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 a large number of 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 accounts receivable and contract assets which are assessed based on provision matrix as at 31 December 2019 within lifetime ECL (not credit -impaired).

46. Financial Instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

	Average Loss rate	**Accounts receivables and contracts assets 2019 RMB'million**	Accounts receivables and contracts assets 2018 RMB'million
Gross carrying amount			
Current (not past due)	0.1%	**118**	121
1-30 days past due	1%	**47**	37
31-60 days past due	2%	**5**	34
61-90 days past due	4%	**2**	4
More than 90 days past due	63%	**51**	51
		223	247

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 2019, the Group provided RMB1 million impairment allowance for accounts receivable, based on the provision matrix. Reversion of Impairment allowance of RMB180 million was made individually on debtors with significant balances.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'million	Lifetime ECL (credit-impaired) RMB'million	Total RMB'million
As at 1 January 2018 – As restated	91	–	91
– Impairment losses recognised	6	180	186
– Impairment losses reversed	(64)	–	(64)
As at 1 January 2019	33	180	213
– Impairment losses recognised	**1**	**–**	**1**
– Impairment losses reversed	**–**	**(180)**	**(180)**
As at 31 December 2019	**34**	**–**	**34**

46. Financial Instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Changes in the loss allowance are mainly due to:

	31/12/2019	
	Increase/(decrease) in lifetime ECL	
	Not credit-impaired RMB'million	**Credit-impaired RMB'million**
Settlement in full of one trade debtor with a gross carrying amount of RMB180 million	**–**	**(180)**
Impairment losses recognised in reporting year based on provision matrix with a gross carrying amount of RMB223 million	**1**	**–**

	31/12/2018	
	Increase/(decrease) in lifetime ECL	
	Not credit-impaired RMB'million	Credit-impaired RMB'million
One debtor with a gross carrying amount of RMB180 million defaulted	–	180
Settlement in full of trade debtors with a gross carrying amount of RMB64 million	(58)	–

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use 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.

46. Financial Instruments – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31.12.2019 RMB'million
2019							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	**4,255**	–	–	–	**4,255**	**4,255**
Bank borrowings	**5.2%**	**7,028**	**8,736**	**9,572**	**3,796**	**29,132**	**25,823**
Receipts under securitisation arrangements	**6.0%**	**38**	**42**	**137**	**527**	**744**	**519**
Senior notes	**6.3%**	**680**	**9,623**	**2,296**	–	**12,599**	**11,399**
Amounts due to related companies	–	**331**	–	–	–	**331**	**331**
Amount due to a joint venture/ an associate	–	**453**	–	–	–	**453**	**453**
Amounts due to non-controlling shareholders of subsidiaries	–	**69**	–	–	–	**69**	**69**
Financial guarantee contracts (note a)	–	**1,152**	–	–	–	**1,152**	–
Loans from a non-controlling shareholder of subsidiaries	–	**1,715**	–	–	–	**1,715**	**1,715**
Lease liabilities	–	**35**	**29**	**23**	**59**	**146**	**115**
Liability arising from a rental guarantee arrangement (note b)	–	**174**	**232**	**252**	–	**658**	**382**
		15,930	**18,662**	**12,280**	**4,382**	**51,254**	**45,061**

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31.12.2018 RMB'million
2018							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	9,024	–	–	–	9,024	9,024
Bank borrowings at variable rates	5.4%	12,821	6,723	4,577	3,855	27,976	25,241
Bank borrowings at fixed rates	6.1%	1,108	–	–	–	1,108	1,080
Receipts under securitisation arrangements	6.0%	39	41	138	550	768	524
Senior notes	6.0%	2,138	347	5,805	–	8,290	7,424
Amounts due to related companies	–	15	–	–	–	15	15
Amount due to a joint venture/ an associate	–	767	–	–	–	767	767
Amounts due to non-controlling shareholders of subsidiaries	–	8	–	–	–	8	8
Financial guarantee contracts (note a)	–	1,398	–	–	–	1,398	–
Loans from a non-controlling shareholder of subsidiaries	5.2%	1,710	–	–	–	1,710	1,710
Liability arising from a rental guarantee arrangement (note b)	–	169	232	484	–	885	549
		29,197	7,343	11,004	4,405	51,949	46,342

46. 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 (see note 34). In respect of the compensation for the current year, the amounts above represent the actual amount. In respect of the remaining guarantee period for 2020 (2018: 2019) and beyond, the amounts represent the maximum amounts the Group could be required to settle as if there was no operating income to be generated by the disposed properties. Based on the expectations at the end of the reporting period, the Group considers that it is more likely that a much lower amount will be payable under the arrangement as some of the properties have been generating rental income. In addition, as mentioned in note 34, liability arising from a rental guarantee arrangement is measured at fair value at the end of the reporting period. However, this estimate is subject to change depending on the future rental income that will be generated from the 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 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 amounting to RMB103 million (2018: RMB221 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 periods) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's liability arising from a rental guarantee arrangement that is measured at fair value at the end of the reporting period is grouped under Level 3. The fair values of this instruments is estimated based on Monte-Carlo simulation using key inputs as disclosed in note 34.

The following table presents the reconciliation of level 3 instruments for the year ended 31 December 2019 and 31 December 2018:

	Liability arising from a rental guarantee arrangement RMB'million Note 34	Call option to buy back an investment property RMB'million Note 33
At 1 January 2018	(728)	342
Settlement	179	–
Fair value changes (note 6)	–	(99)
At 31 December 2018	(549)	243
Settlement	**167**	**(243)**
At 31 December 2019	**(382)**	**–**

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

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.

Information about the valuation techniques, and inputs and key assumptions used in determining the fair value of various liabilities are disclosed in note 34.

47. 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* RMB'million	**Borrowings RMB'million**	**Senior notes RMB'million**	**Receipts under securitisation arrangement RMB'million**	**Derivative financial instruments RMB'million**	**Loans from/ Amounts due to non-controlling shareholders of subsidiaries** RMB'million**	**Dividends and distributions RMB'million**	**Lease liabilities RMB'million**	**Total RMB'million**
	Note 23	**Note 27**	**Note 30**	**Note 36**	**Note 33**	**Note 24**	**Notes 11, 31 and 32**		
At 1 January 2019	**15**	**26,321**	**7,424**	**524**	**–**	**1,710**	**–**	**–**	**35,994**
Adjustment upon application of IFRS 16	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**99**	**99**
At 1 January 2019 (restated)	**15**	**26,321**	**7,424**	**524**	**–**	**1,710**	**–**	**99**	**36,093**
Financing cash flows	**(2)**	**(3,558)**	**3,107**	**(5)**	**225**	**5**	**(1,267)**	**(28)**	**(1,523)**
Acquisition of subsidiaries	**–**	**1,114**	**–**	**–**	**–**	**–**	**–**	**–**	**1,114**
Fair value adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Distributions to owners of perpetual capital securities and CPCS	**–**	**–**	**–**	**–**	**–**	**–**	**384**	**–**	**384**
Foreign exchange translation	**–**	**279**	**228**	**–**	**(225)**	**–**	**–**	**–**	**282**
Interest expenses	**–**	**1,640**	**640**	**–**	**–**	**–**	**–**	**5**	**2,285**
Final dividends for 2018 and interim dividend for 2019	**–**	**–**	**–**	**–**	**–**	**–**	**858**	**–**	**858**
Dividends to non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**34**	**25**	**–**	**59**
Capital reduction payable to a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**24**	**–**	**–**	**24**
Interest payable	**–**	**27**	**–**	**–**	**–**	**–**	**–**	**–**	**27**
New leases entered	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**39**	**39**
At 31 December 2019	**13**	**25,823**	**11,399**	**519**	**–**	**1,773**	**–**	**115**	**39,642**

	Amounts due to related companies* RMB'million	Borrowings RMB'million	Senior notes RMB'million	Receipes under securitisation arrangement RMB'million	Derivative financial instruments RMB'million	Loans from/ Amounts due to non-controlling shareholders of subsidiaries RMB'million**	Dividends and distributions RMB'million	Total RMB'million
	Note 23	Note 27	Note 30	Note 36	Note 33	Note 24	Notes 11, 31 and 32	
At 1 January 2018	347	30,993	10,706	–	214	1,651	–	43,911
Financing cash flows	(307)	(1,152)	(4,106)	524	(324)	–	(1,177)	(6,542)
Disposal of subsidiaries	–	(5,818)	–	–	–	–	–	(5,818)
Fair value adjustments	–	–	–	–	(214)	–	–	(214)
Distributions to owners of perpetual capital securities and CPCS	–	–	–	–	–	–	368	368
Foreign exchange translation	(25)	697	134	–	324	–	–	1,130
Interest expenses	–	1,658	612	–	–	59	–	2,329
Loss on early redemption of senior notes	–	–	78	–	–	–	–	78
Final dividends for 2017 and interim dividend for 2018	–	–	–	–	–	–	714	714
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	95	95
Interest payable	–	(57)	–	–	–	–	–	(57)
At 31 December 2018	15	26,321	7,424	524	–	1,710	–	35,994

* Out of the total amounts due to related companies for RMB331 million (2018: RMB15 million) as of 31 December 2019, RMB13 million (2018: RMB15 million) are liabilities arising from financing activities.

** Out of the total loans from/amounts due to non-controlling shareholders of subsidiaries for RMB1,784 million (2018: RMB1,718 million) as of 31 December 2019, RMB1,773 million (2018: RMB1,710 million) are liabilities arising from financing activities.

48. Statement of Financial Position of the Company

	2019 RMB'million	2018 RMB'million
Non-current assets		
Investments in subsidiaries	**7,730**	7,181
Loan to a subsidiary	**11,164**	10,203
	18,894	17,384
Current assets		
Other prepayment	**–**	–
Bank balances	**3**	3
	3	3
Total assets	**18,897**	17,387
Capital and reserves		
Share capital	**146**	146
Reserves (note)	**18,751**	17,241
Total equity	**18,897**	17,387

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	Accumulated profit (loss) RMB'million	Total RMB'million
At 1 January 2018	18,076	24	507	13	(1,136)	17,484
Profit and total comprehensive income for the year	–	–	–	–	467	467
Recognition of equity-settled share-based payment expenses under the share option scheme (note 39)	–	–	–	1	–	1
Lapsed of share award and share options	–	(15)	–	(3)	18	–
Recognition of equity-settled share based payment expenses under the share award scheme (note 39)	–	1	–	–	–	1
Total dividends of HK$0.106 per share paid, comprising 2017 final dividend of HK$0.07 per share and 2018 interim dividend of HK$0.036 per share	–	–	–	–	(714)	(714)
Exercise of share option	2	–	–	–	–	2
At 31 December 2018	**18,078**	**10**	**507**	**11**	**(1,365)**	**17,241**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,368**	**2,368**
Lapsed of share award and share options (note 39)	**–**	**–**	**–**	**(3)**	**3**	**–**
Total dividends of HK$0.12 per share paid, comprising 2018 final dividend of HK$0.084 per share and 2019 interim dividend of HK$0.036 per share	**–**	**–**	**–**	**–**	**(858)**	**(858)**
At 31 December 2019	**18,078**	**10**	**507**	**8**	**148**	**18,751**

49. Particulars of Major Subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2019 and 31 December 2018 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (note a) 2019	2018	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Beaming Leader Limited	BVI 5 October 2012	10,000 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Best Scene Retail Asset Management (Hong Kong) Limited	Hong Kong 4 April 2011	HKD1	100%	100%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	HKD1	100%	100%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	20 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	HKD2	100%	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	HKD2	51%	51%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	100 ordinary shares of USD1 each	51%	51%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	HKD2	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	HKD1	100%	100%	Hong Kong	Investment holding
China Xintiandi Company Limited	BVI 21 March 2011	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
China Xintiandi Limited	Cayman Islands 18 April 2011	1 ordinary share of USD0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Development Company Limited	Cayman Islands 3 November 2011	1 ordinary share of USD0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Holding Company Limited	Cayman Islands 27 October 2011	1,280,312 ordinary shares of USD0.001 each	100%	100%	Hong Kong	Investment holding
China Xintiandi Management (Hong Kong) Limited	Hong Kong 12 October 2012	HKD1	100%	100%	Hong Kong	Investment holding
China Xintiandi Property Company Limited	Cayman Islands 27 October 2011	1 ordinary share of USD0.01	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	HKD2	100%	100%	Hong Kong	Investment holding
Clear Max Enterprises Limited	BVI 15 January 2008	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding

49. 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) 2019	2018	Place of operation	Principal activities
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	HKD1	100%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	HKD2	51%	51%	Hong Kong	Investment holding
East Capital Development Limited	Hong Kong 18 April 2008	HKD1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	HKD2	100%	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	HKD1	100%	100%	Hong Kong	Investment holding
Excellent Goal Limited	Hong Kong 16 January 2014	HKD1	100%	100%	Hong Kong	Investment holding
Excellent Hope Limited	Hong Kong 5 February 2014	HKD1	100%	100%	Hong Kong	Investment holding
Famous Scene Holdings Limited	BVI 13 December 2007	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	HKD100	100%	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Firm Gain Investments Limited	BVI 26 July 2011	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	HKD2	100%	100%	Hong Kong	Investment holding
Foresight Profits Limited (Note h)	BVI 8 February 2001	5,000 A shares and 5,000 B shares of USD1 each	A shares: 100%	100%	Hong Kong	Investment holding
			B shares: 100%	100%		
Fo Shan An Ying Property Development Co., Ltd. (Note d)	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 d)	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 d)	PRC 21 May 2008	Registered capital RMB940,000,000 paid up capital RMB795,410,398	100%	100%	PRC	Property development

49. 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 2019 (note a)	Attributable equity interest held 2018 (note a)	Place of operation	Principal activities
Fo Shan Rui Kang Tian Di Property Development Co., Ltd. (Note d)	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 d)	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 d)	PRC 8 January 2008	Registered and paid up capital RMB1,130,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Hotel Management Co., Ltd. (Note d)	PRC 8 August 2011	Registered and paid up capital RMB5,000,000	100%	100%	PRC	Hotel management
Fo Shan Yong Rui Tian Di Property Development Co., Ltd. (Note d)	PRC 21 March 2008	Registered capital RMB570,000,000 paid up capital RMB594,000,000	100%	100%	PRC	Property development
Gains Ally Limited	BVI 3 May 2013	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	HKD2	100%	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Glory Land Investment Limited	Cayman Islands 3 July 2012	100 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Grand Hope Limited	Hong Kong 14 March 2003	100 A ordinary shares of HKD1 each and	A shares: 100%	A shares: 100%	Hong Kong	Investment holding
		2 B ordinary shares of HKD1 each	B shares:: 100%	B shares:: 100%		
Greatwood Development Limited	Hong Kong 22 April 2013	HKD1	100%	100%	Hong Kong	Investment holding
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	HKD1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding

49. 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 2019 (note a)	Attributable equity interest held 2018 (note a)	Place of operation	Principal activities
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	HKD1	100%	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	HKD2	100%	100%	Hong Kong	Investment holding
Land Pacific Limited	Hong Kong 2 November 2007	HKD1	100%	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	HKD2	100%	100%	Hong Kong	Investment holding
Lucky Gain Limited	Hong Kong 8 November 2002	HKD2	100%	100%	Hong Kong	Investment holding
Lucky Mate Development Limited	Hong Kong 15 October 2014	HKD1	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	20 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	100 ordinary shares of USD1 each	51%	51%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
New Venture Enterprises Limited	Hong Kong 26 October 2010	HKD1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Oasis Power Management Limited	Cayman Islands 10 December 2018	1 ordinary share of USD 1	100%	100%	Hong Kong	Asset Management
Onfair Limited	Hong Kong 13 November 2002	HKD2	100%	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	HKD2	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	HKD1	100%	100%	Hong Kong	Investment holding
Pacific Sunrise Holdings Limited	BVI 16 January 2013	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Pat Daive (China) Limited	Hong Kong 1 November 1994	HKD2	100%	100%	Hong Kong	Investment holding

49. 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 2019 (note a)	Attributable equity interest held 2018 (note a)	Place of operation	Principal activities
Portspin Limited	BVI 22 May 1997	123,980 ordinary shares of USD0.001 each	100%	100%	Hong Kong	Investment holding
Power Fast Holdings Limited	Hong Kong 11 March 2008	HKD1	100%	100%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	HKD2	100%	100%	Hong Kong	Investment holding
Profit Estate Limited	BVI 30 October 2014	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Rainbow Yield Investments Limited	BVI 4 July 2016	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	HKD1	100%	100%	Hong Kong	Investment holding
Renown Best Limited	BVI 18 February 2014	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	HKD1	100%	100%	Hong Kong	Investment holding
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	100 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Rimmer Investments Limited	BVI 22 July 1994	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of USD1 each	100%	100%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd. (Note d)	PRC 2 February 1999	Registered and paid up capital RMB146,761,000	100%	100%	PRC	Property development and property investment
Shanghai Fu Ji Properties Co., Ltd. (Note b)	PRC 18 January 2004	Registered and paid up capital USD35,773,000	99%	99%	PRC	Property development
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 d)	PRC 2 February 1999	Registered and paid up capital RMB69,452,000	100%	100%	PRC	Property development and property investment

49. 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) 2019	Attributable equity interest held (note a) 2018	Place of operation	Principal activities
Shanghai Jing-Fu Properties Co., Ltd. (Note b)	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
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 capital is RMB1,000,000,000 paid up capital RMB2,211,300,000	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
Shanghai Rui Chen Property Co., Ltd. (Note d)	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	100%	100%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd. (Note d)	PRC 28 December 2010	Registered and paid up capital RMB3,900,000,000	100%	100%	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd. (Note c)	PRC 2 July 2001	Registered and paid up capital RMB6,700,000,000	77.6%	77.6%	PRC	Property development and property investment
Shanghai Tai Ping Qiao Property Management Co., Ltd. (Note d)	PRC 31 August 2001	Registered and paid up capital USD198,000	100%	100%	PRC	Property management
Shanghai Xin-Tian-Di Plaza Co., Ltd. (Note d)	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 d)	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, g)	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 debt financing
Shui On Granpex Limited	Hong Kong 13 January 1997	HKD2	100%	100%	Hong Kong	Investment holding
Shui On Land Management Limited	Hong Kong 12 May 2004	HKD1	100%	100%	Hong Kong	Provision of management services

49. 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 2019 (note a)	Attributable equity interest held 2018 (note a)	Place of operation	Principal activities
Shine First Limited	BVI 25 October 2006	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Silomax Limited	BVI 25 March 1996	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Sino Atrium Global Limited	BVI 3 June 2014	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Sinomount Holdings Limited	BVI 18 October 2013	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Sino Ascend Holdings Limited	BVI 9 February 2015	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Sino City (Hong Kong) Limited	Hong Kong 9 January 2014	HKD1	100%	100%	Hong Kong	Investment holding
Sino Gate Developments Limited	BVI 3 June 2014	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Sino Heritage Holdings Limited	BVI 28 October 2013	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Sino Luck International Limited	BVI 3 June 2014	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	HKD1	100%	100%	Hong Kong	Investment holding
Success Champion Investments Limited	Hong Kong 26 March 2014	HKD1	100%	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	HKD1	100%	100%	Hong Kong	Investment holding
Taipingqiao Holding Company Limited	BVI 25 October 2011	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Team Sky Enterprises Limited	BVI 8 July 2016	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	HKD1	100%	100%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	HKD1	51%	51%	Hong Kong	Investment holding
Trendex Investment Limited	Hong Kong 6 January 1997	HKD91,920,000	100%	100%	Hong Kong	Property investment
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
True Perfect Investments Limited	BVI 3 July 2014	1 ordinary share of USD1	100%	100%	Hong Kong	Investment holding
Value Land Investment Limited	Cayman Islands 2 September 2011	1,010,000 ordinary shares of USD0.01 each	100%	100%	Hong Kong	Investment holding
Wise Keen International Limited	Hong Kong 24 April 2008	HKD1	100%	100%	Hong Kong	Investment holding

49. 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 2019 (note a)	Attributable equity interest held 2018 (note a)	Place of operation	Principal activities
Wuhan Shuion Shangqi Real Estate Management Co., Ltd (Note d)	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 d)	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 capital RMB3,600,000,000 paid up capital RMB3,345,912,731	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 d)	PRC 18 January 2004	Registered and paid up capital RMB37,079,950	100%	100%	PRC	Property management
上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*) (Note e, g)	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	44.268%	44.268%	PRC	Property development
瑞安管理(上海)有限公司 (Shui On Management Limited*)(Note d)	PRC 14 June 2004	Registered and paid up capital USD58,000,000	100%	100%	PRC	Provision of management services
大連嘉銳科技發展有限公司 (Dalian Jia Rui Technology Development Co., Ltd.*) (Note d)	PRC 5 November 2009	Registered and paid up capital USD10,000,000	100%	100%	PRC	Science and technology development
重慶豐德豪門實業有限公司 (Chongqing Fengde Haomen Industrial Co., Ltd.*)(Note e)	PRC 26 April 2006	Registered and paid up capital RMB10,000,000	100%	100%	PRC	Property development
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
上海德建裝飾工程有限公司 (Shanghai Dejian Decoration Engineering Co., Ltd.*) (Note d)	PRC 5 August 2008	Registered and paid up capital USD800,000	100%	100%	PRC	Provision of decoration services
上海衡景貿易有限公司 (Shangheng Heng Jing Trading Co., Ltd.*)(Note d)	PRC 1 August 2011	Registered and paid up capital RMB50,000,000	100%	100%	PRC	Retail business
上海創派投資咨詢有限公司 (Shanghai Chuangpai Investment Consulting Co., Ltd.*)(Note d)	PRC 30 July 2015	Registered and paid up capital RMB43,000,000	100%	100%	PRC	Investment management
上海瑞新房產經營有限公司 (Shanghai Rui Xin Property Management Co., Ltd*) (Note d)	PRC 12 January 2015	Registered and paid up capital RMB265,000,000	100%	100%	PRC	Property management
武漢企業天地環球智慧商業管理有限公司(Wuhan Corporate Avenue Global Smart Business Management Co., Ltd.*)(Note e)	PRC 3 December 2015	Registered and paid up capital RMB100,000	100%	100%	PRC	Provision of management services

49. 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 2019 (note a)	Attributable equity interest held 2018 (note a)	Place of operation	Principal activities
上海磐鋭投資管理有限公司 (Shanghai Pan Rui Investment Management Co., Ltd.*)(Note e)	PRC 28 March 2016	Registered capital RMB50,000,000 paid up capital nil	100%	100%	PRC	Investment management
上海雋復企業管理有限公司 (Shanghai Jun Fu Enterprise Management Co., Ltd.*) (Note b)	PRC 20 June 2016	Registered capital RMB10,000,000 paid up capital RMB1,006,355	98%	98%	PRC	Provision of management services
上海澤辰房地產經營有限公司(Shanghai Ze Chen Real Estate Co., Ltd.*) (Note d)	PRC 1 December 2017	Registered and paid up capital RMB465,000,000	100%	100%	PRC	Property development
上海瑞安知社商業管理有限公司(Shanghai Shui On Zhi She Business Management Co., Ltd.*) (Note d)	PRC 14 September 2016	Registered and paid up capital RMB20,000,000	100%	100%	PRC	Provision of management services
上海庚立實業有限公司 (Shanghai Geng Li Industrial Co., Ltd.*)(Note d)	PRC 10 November 2016	Registered capital RMB1,400,000,000 paid up capital nil	100%	100%	PRC	Property development
上海盛甫企業管理咨詢有限公司(Shanghai Sheng Pu Enterprise Management Consulting Co., Ltd.*) (Note e)	PRC 1 December 2016	Registered capital RMB1,390,000,000 paid up capital RMB1,099,200,000	100%	100%	PRC	Provision of management and consultancy services
南京瑞安知社商業管理有限公司(Nanjing Shui On Zhi She Business Management Co., Ltd.*) (Note e)	PRC 1 December 2017	Registered and paid up capital RMB5,000,000	100%	100%	PRC	Provision of management services
上海新灣景置業有限公司 (Shanghai Xin Wan Jing Property Co., Ltd.)(Note e)	PRC 28 March 2018	Registered and paid up capital RMB10,000,000	100%	100%	PRC	Property development and property investment
Pacific Wise Enterprises Limited	Hong Kong 23 October 2017	HKD1	100%	100%	Hong Kong	Investment Holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of USD1	100%	100%	Hong Kong	Investment Holding
Star Harvest Development Limited	Hong Kong 22 April 2013	HKD1	100%	100%	Hong Kong	Investment Holding
Sino Concept Holdings Limited	Hong Kong 25 June 2019	HKD1	100%	–	Hong Kong	Investment Holding
Divine Glory Investment Limited	Hong Kong 10 September 2019	HKD1	100%	–	Hong Kong	Investment Holding
上海九澤置業有限公司 (Shanghai Jiu Ze Property Co., Ltd.*)(Note d)	PRC 29 September 2019	Registered and paid up capital RMB2,000,000,000	100%	–	PRC	Property investment

49. 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 2019 (note a)	Attributable equity interest held 2018 (note a)	Place of operation	Principal activities
上海磐興管理咨詢有限公司 (Shanghai Pan Xing Management and Consultancy Co., Ltd.*) (Note e)	PRC 8 December 2016	Registered capital RMB10,000,000 paid up capital nil	100%	49%	PRC	Provision of management and consultancy services
上海銳番企業管理有限公司 (Shanghai Rui Fan Enterprise Management Co., Ltd.*) (Note e)	PRC 29 March 2016	Registered capital RMB 50,000,000 paid up capital nil	100%	49%	PRC	Provision of management services
上海蟠龍天地有限公司 (Shanghai Panlong Tiandi Co., Ltd.*)(Note e)	PRC 8 May 2017	Registered capital RMB5,300,000,000 paid up capital RMB3,120,000,000	80%	46.85%	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 sino-foreign cooperative joint venture.
d. This Company is a wholly-foreign owned enterprise.
e. This Company is a wholly-domestic owned enterprise.
f. Except for Shui On Development (Holding) Limited, none of the subsidiaries had any debt securities subsisting as at 31 December 2019 or at any time during the year.
g. This company is a subsidiary of Bright Power Enterprises Limited, in which the Group holds 51% (2018: 51%) of equity interests in 2019.
h. Shui On Land Limited through Rainbow Yida Investments Limited holds 50% in Colour Bridge which in turn holds 100% class A shares in Foresight Profits Limited. Class A shares represent interest in the portfolio of certain properties for residential development of Shanghai Rui Hong Xin Cheng Co., Ltd.
* 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 At 31 December		Profit allocated to non-controlling shareholders Year ended 31 December		Accumulated non-controlling interests At 31 December	
	2019	2018	**2019**	2018	**2019**	2018
			RMB'million	RMB'million	**RMB'million**	RMB'million
Name of subsidiary						
Bright Power	**49%**	49%	**86**	109	**1,052**	966
Merry Wave	**49%**	49%	**67**	104	**459**	392
Individually immaterial subsidiaries with non-controlling interests	**N/A**	N/A	**75**	196	**2,319**	1,414
			228	409	**3,830**	2,772

49. 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:

	At 31 December	
	2019 RMB'million	2018 RMB'million
Current assets	**238**	173
Non-current assets	**5,848**	5,858
Current liabilities	**1,971**	1,993
Non-current liabilities	**1,467**	1,592
Equity attributable to shareholders of Bright Power	**2,147**	1,972

	Year ended 31 December	
	2019 RMB'million	2018 RMB'million
Revenue	**341**	330
Profit and total comprehensive income for the year	**201**	255
Dividend paid to a non-controlling shareholder of Bright Power	**–**	–
Net cash from operating activities	**228**	227
Net cash from (used in) investing activities	**35**	(85)
Net cash used in financing activities	**(206)**	(83)
Net cash inflow	**57**	59

Summarised financial information in respect of Merry Wave is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	At 31 December	
	2019 RMB'million	2018 RMB'million
Current assets	**1,230**	969
Non-current assets	**2,637**	2,570
Current liabilities	**2,623**	2,466
Non-current liabilities	**279**	247
Equity attributable to shareholders of Merry Wave	**936**	801

	Year ended 31 December	
	2019 RMB'million	2018 RMB'million
Revenue	**135**	128
Profit and total comprehensive income for the year	**137**	214
Dividend paid to a non-controlling shareholder of Merry Wave	**–**	–
Net cash from operating activities	**91**	93
Net cash from investing activities	**9**	13
Net cash used in financing activities	**–**	–
Net cash inflow	**100**	106

FINANCIAL SUMMARY

Summary of Consolidated Statement of Profit or Loss

for the year ended 31 December

	2015 RMB' million	2016 RMB' million	2017 RMB' million	2018 RMB' million	**2019 RMB' million**
Revenue	6,472	17,600	18,451	24,841	**10,392**
Profit attributable to shareholders	788	1,088	1,669	1,906	**1,932**
Owners of convertible perpetual securities	174	–	–	–	**–**
Owners of perpetual capital securities	316	337	459	259	**269**
Owners of convertible perpetual capital securities	61	112	114	112	**116**
Non-controlling shareholders of subsidiaries	428	239	82	409	**228**
Profit for the year	1,767	1,776	2,324	2,686	**2,545**

Summary of Consolidated Statement of Financial Position

as of 31 December

	2015 RMB' million	2016 RMB' million	2017 RMB' million	2018 RMB' million	**2019 RMB' million**
Investment properties	55,600	56,620	47,989	49,100	**51,913**
Property, plant,and equiptment	2,268	1,845	1,187	1,080	**1,053**
Properties under development for sale	20,102	21,838	18,112	11,927	**17,855**
Properties held for sale	2,560	4,865	8,058	5,315	**973**
Interests in associates	4,402	4,400	1,030	4,998	**7,470**
Interests in joint ventures	2,939	783	6,584	10,682	**11,108**
Account receivables, deposits, and prepayments	10,951	13,326	8,734	4,523	**3,485**
Other assets	7,734	2,969	5,838	7,233	**2,700**
Pledged bank deposits, bank balances and cash	10,614	15,567	16,760	15,392	**11,859**
Total assets	117,170	122,213	114,292	110,250	**108,416**
Current liabilities	29,910	34,700	31,594	36,393	**20,896**
Non-current liabilities	41,142	41,257	33,523	26,638	**38,213**
Total liabilities	71,052	75,957	65,117	63,031	**59,109**
Net assets	46,118	46,256	49,175	47,219	**49,307**
Equity attributable to:					
Shareholders of the Company	36,645	37,450	38,282	39,047	**40,076**
Owners of convertible perpetual securities	16	1	1	–	**–**
Owners of convertible perpetual capital securities	1,346	1,345	1,345	1,345	**1,345**
Owners of perpetual capital securities	3,050	3,046	4,052	4,055	**4,056**
Non-controlling shareholders of subsidiaries	5,061	4,414	5,495	2,772	**3,830**
Total equity	46,118	46,256	49,175	47,219	**49,307**

Per share data

for the year ended 31 December

	2015	2016	2017	2018	**2019**
Basic earnings per share (RMB)	0.10	0.14	0.21	0.24	**0.24**
Dividend per share					
– Interim paid (HKD)	0.022	0.011	0.03	0.036	**0.036**
– Final proposed (HKD)	0.028	0.039	0.07	0.084	**0.084**
– Full year (HKD)	0.050	0.050	0.10	0.120	**0.120**
Bonus shares	–	–	–	–	**–**

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Frankie Y. L. WONG

Independent Non-executive Directors

Sir John R. H. BOND
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Anthony J. L. NIGHTINGALE

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

Finance Committee

Mr. Vincent H. S. LO (Chairman)
Mr. Frankie Y. L. WONG (Vice Chairman)
Sir John R. H. BOND
Professor Gary C. BIDDLE
Mr. Douglas H. H. SUNG
Mr. Anthony J. L. NIGHTINGALE

Company Secretary

Mr. UY Kim Lun

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown

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George Town
Grand Cayman KY1-9005
Cayman Islands

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333 Huai Hai Zhong Road
Shanghai 200021
PRC

Place of Business in Hong Kong

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6-8 Harbour Road
Wan Chai
Hong Kong

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Branch Share Registrar and Transfer Office

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

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China 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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