瑞安房地產
SHUI ON LAND

ANNUAL REPORT 2020

SHUI ON LAND LIMITED

Incorporated in the Cayman Islands with limited liability

STOCK CODE 272

A LEADING COMMERCIAL FOCUSED REAL ESTATE DEVELOPER, OWNER AND ASSET MANAGER IN CHINA

Headquartered in Shanghai, Shui On Land (Stock Code: 272) is a pioneer of sustainable premium urban communities. As a leading commercial focused real estate 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 2020, 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 8.6 million sq.m. (6.4 million sq.m. of leasable and saleable GFA, and 2.2 million sq.m. of clubhouses, car parking spaces and other facilities). It is also one of the largest private commercial property owners and managers in Shanghai, with a total portfolio of 1.72 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 MidCap Indices as well as the Hang Seng Stock Connect HK Index.

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Total landbank GFA

8.6 million sq.m.

Commercial property portfolio in Shanghai

1.72 million sq.m.

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

RMB **77 billion**

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FINANCIAL HIGHLIGHTS

Operating Results for the year ended 31 December

	2020 HKD'million	2019 HKD'million	2020 RMB'million	2019 RMB'million
Revenue	**5,172**	11,805	**4,597**	10,392
Represented by:				
Property development	**1,729**	8,250	**1,537**	7,262
Property investment	**2,405**	2,664	**2,138**	2,345
Construction	**778**	611	**691**	538
Others	**260**	280	**231**	247
Gross profit	**2,644**	6,035	**2,350**	5,313
(Decrease) / increase in fair value of investment properties	**(2,009)**	291	**(1,786)**	256
(Loss) / profit attributable to shareholders of the Company	**(833)**	2,195	**(740)**	1,932
Core earnings of the Group	**1,627**	2,639	**1,446**	2,323
Basic (Loss) earnings per share	**HKD(10.4) cents**	HKD27.3 cents	**RMB(9.2) cents**	RMB24.0 cents
Dividend per share				
Interim paid	**HKD0.000**	HKD0.036		
Proposed final	**HKD0.000**	HKD0.084		
Full year	**HKD0.000**	HKD0.12		

Note:

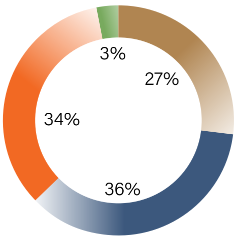
Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.125 for 2020 and RMB1.000 to HKD1.136 for 2019 being the average exchange rates that prevailed during the respective years.

Financial Position as of 31 December

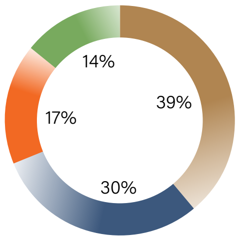
	2020 RMB'million	2019 RMB'million
Total cash and bank deposits	**15,796**	11,859
Total assets	**115,475**	108,416
Total equity	**46,733**	49,307
Total debt	**36,859**	37,741
Bank borrowings	**20,283**	25,823
Senior notes	**16,063**	11,399
Receipts under securitisation arrangements	**513**	519
Net gearing ratio*	**45%**	52%

* 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 2020



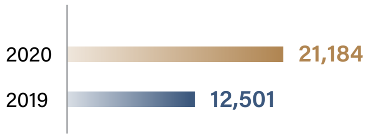
	million sq.m.
Residential	1.7
Office	2.3
Retail	2.2
Hotel/ Serviced Apartments	0.2
Total Leasable and Saleable GFA	6.4
Attributable GFA	4.1



	million sq.m.
Shanghai	2.5
Wuhan	1.9
Chongqing	1.1
Foshan	0.9
Total Leasable and Saleable GFA	6.4
Attributable GFA	4.1

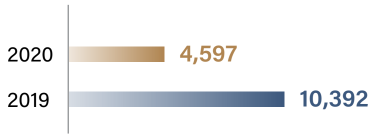
Contracted Property Sales

(RMB'million)



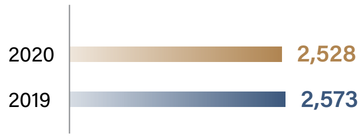
Revenue

(RMB'million)



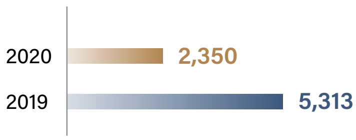
Rental and Related Income*

(RMB'million)



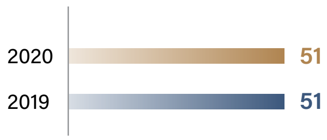
Gross Profit

(RMB'million)



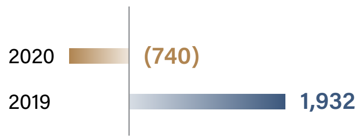
Gross Profit Margin

%



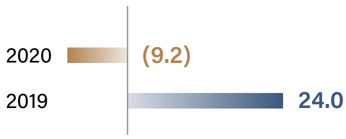
(Loss)/Profit Attributable to Shareholders of the Company

(RMB'million)



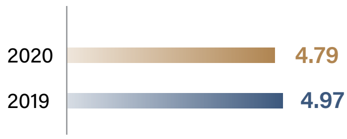
Basic (Loss)/Earnings per Share

(RMB'cent/share)



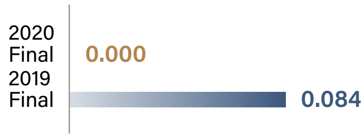
Shareholders' Equity per Share

(RMB/share)



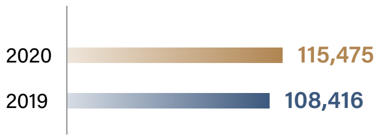
Dividend per Share

(HKD/share)



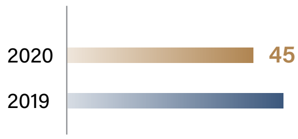
Total Assets

(RMB'million)



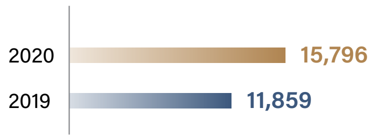
Net Gearing Ratio

%



Total Cash and Bank Deposits

(RMB'million)



* Including Rental Income from Rui Hong Xin Cheng Commercial Partnership Portfolio 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

> Our projects continued to make strong progress despite the disruption, with construction well underway at the Group's developments in Shanghai and elsewhere.

Dear Shareholders,

The year 2020 was one of momentous and far-reaching change. On one hand, the COVID-19 pandemic and the ensuing public-health crisis dealt a devastating blow to economies around the world and consequently to our operating businesses as well. On the other hand, it has ushered in new ways of working and living that will likely have a lasting impact.

Against this challenging backdrop, the Group has taken substantial write-downs on the value of its property portfolio, the majority of which took place in the first half of 2020, reflecting the near cessation of business activities immediately after the COVID-19 outbreak. However, market conditions improved markedly in the second half, propelling our operating performance to exceed our expectations. As we enter 2021, I believe we are well positioned to benefit from the strength of the Shui On brand and our sound strategy to capitalise on emerging trends.

Financial Highlights

The Group's financial performance in 2020 can be characterised as a year of two halves.

For the first half of 2020 ("1H 2020"), disruptions brought about by the COVID-19 pandemic resulted in a loss of RMB1,622 million, which were primarily due to a decline in the fair value of the Group's investment properties and other property assets, as well as delays in the construction and handover of residential units. However, in the second half of the year ("2H 2020"), the Group saw notable recovery across all its operations, which translated into a net profit attributable to shareholders of RMB882 million. For the full year, the Group reported a net loss attributable to shareholders of RMB740 million, as compared with a profit attributable to shareholders of RMB1,932 million in 2019.

The Group's balance sheet remains strong. The net gearing ratio was 45% as of 31 December 2020, compared with 52% as of 31 December 2019. Cash and bank deposits increased by 33% to RMB 15,796 million.

Weathering the Storm

The pandemic brought about unprecedented disruptions to the economy and our business in the first half of the year, particularly during the first quarter, when operations were mostly halted in response to the government measures implemented to combat the pandemic. With the virus outbreak coming under control in China, the country's economy saw a rapid recovery in the latter half of 2020.

Our projects continued to make strong progress despite the disruption, with construction well underway at the Group's developments in Shanghai and elsewhere. For our residential business, sales were far stronger than expected. Contracted sales for the year reached RMB21.2 billion, ahead of our target. We launched the remaining portion of Wuhan Tiandi La Riva II (Lot B10) with a total GFA of 34,000 sq.m. in April, shortly after the city re-opened following the COVID-19 lockdown. Over RMB1.6 billion in sales was achieved online in just a few minutes on the launch day and all units in the development have been fully subscribed. Our residential projects in Shanghai recorded outstanding sales. This was especially so for Rui Hong Xin Cheng Parkview, which led property sales by value in Shanghai in 2020. VILLE V was among the top six developments in Shanghai by sales value, during the three days of pre-sale, a total of 128 units out of 132 units launched were subscribed in June. Panlong Tiandi, meanwhile, released its first batch of 948 residential units in October. Purchase applications were four times the units available and almost all units were sold on the first day. These results reflect the Group's brand value and reputation among home buyers for quality residential products.

Our portfolio of retail properties benefited from the strength of the XINTIANDI brand and our innovative, omni-channel business model. Although affected by COVID-19 in the first half of the year, footfall and sales turnover fully recovered to pre-crisis levels by the second half of the year, with some properties turning in a stronger year-on-year performance.

We continued to enhance the value of our portfolio and the customer experiences we offer. The upgrading and refurbishment of Xintiandi South Block gave birth to Xintiandi Style I, which held its pre-opening in mid-November. With "Neo Luxury" as its core positioning, Xintiandi Style I exudes vitality and innovation, and provides customers with new, rich and diverse shopping experiences, in particular for "Generation Z" customers. A key initiative at Xintiandi Style I is the opening of Foodie Social, a distinctive food experience managed by the Group that combines dining and retail in a brand new format. Foodie Social has garnered rave reviews since its opening and we are looking forward to its next roll-out at the Hall of the Sun project in Rui Hong Xin Cheng.

Opportunities in urban regeneration to build sustainable communities for the premium market

The COVID-19 pandemic that is still sweeping the world is causing major volatility in financial markets, great disruption to global supply chains and a widespread rise in unemployment and wealth disparity. Together with escalating Sino-US tensions and rising protectionist sentiment in many countries, the stage is set for a challenging "new normal" in the foreseeable future. In consequence, we will adhere to our prudent approach regarding investment and maintain a strong balance sheet, with our asset light strategy providing effective channels to fund future development.

The pandemic has also accelerated many changes in how we live, work, play and learn. The needs of both the business community and home buyers are changing rapidly, with increasing priority given to quality and sustainability. Indeed, the Chinese government has placed immense focus on sustainable developments as opposed to the disruptive "demolish and rebuild" approach in the past. With the Group's unique expertise and strong track record in urban regeneration projects, I believe we have an important role to play in the development of premium, sustainable communities that meet the future needs of cities, their businesses and their inhabitants.

As a property developer focusing on premium developments, we are also ready to seize opportunities presented by the continued growth of high-end consumption in China. Shanghai is the most important market for showcasing our strengths in this area, while the Yangtze River Delta and Greater Bay Area will be the main destinations for our future investments. The Group is continuously strengthening its brand to reinforce its premium positioning in the market. We are also driving innovation in our business model, leveraging our strengths in cultural preservation and the creation of integrated, sustainable communities, to provide greater flexibility in the way people live, work, play and learn.

The increasing focus on environmentally sustainable, or green, development is part of a greater social awareness of environmental, social and governance ("ESG") issues. ESG has long been central to the way Shui On Group operates. In order to integrate these issues further into our corporate strategies, we introduced in 2020 our new "5C" ESG strategy: Clean, Culture, Community, Care and Corporate Governance. We have developed a ten-year strategic framework for sustainable development that will guide our efforts as we seek to align with China's goal of achieving carbon neutrality by 2060, trends in environmental regulation and consumers' increasing calls for environmental sustainability. We will work closely with employees, customers, suppliers and investors to achieve our ESG targets.

In this regard I am pleased to share with you the success of THE HUB, which won the 2020 ULI Asia Pacific Award for Excellence in September. This award recognises not just good design and high quality of construction, but financial success and contributions to the local community as well. In fact, over 80% of our completed commercial projects held for long-term investment are WELL Community certified or have some other forms of "green" certification. As another step to underline the Group's commitment to building sustainable communities, in November we issued a further USD200 million of Green Bonds, adding to the USD300 million inaugural issue and taking the total outstanding to USD500 million.

Appreciation

We could not have weathered the storm without the exemplary team spirit and collaboration exhibited by everyone at Shui On Land. I must express particular thanks during this difficult year to my fellow Board members, our business partners and our investors for their steadfast support. I also wish to thank each and every member of our staff for their unyielding commitment and hard work amidst a period of trying circumstances.

I am confident that 2021 will be a better year, as we mark both the 50th anniversary of the Shui On Group and the 20th anniversary of Shanghai Xintiandi. This does not mean the road ahead will be straightforward, as conditions are likely to remain volatile. Nevertheless, the Group is strategically well-placed to meet any challenge and take advantage of the opportunities that may arise, as we build on the successes of the past fifty years.

VINCENT H. S. LO
Chairman
Hong Kong, 23 March 2021

OUR EFFORTS TO FIGHT THE COVID-19 PANDEMIC

In the second half of 2020, all our operations saw a notable recovery

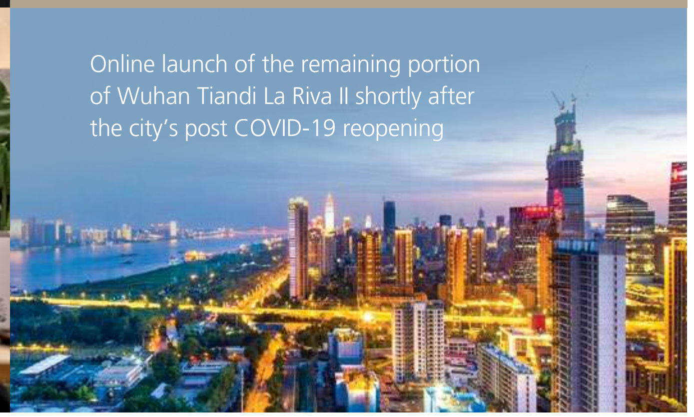
- Overall sales at our retail properties have fully recovered since the third quarter of 2020 and in December 2020 overall sales reached 110% of the 2019 level
- Residential launches picked up in the second quarter of 2020 and produced a robust performance during the year

Active programmes to restore consumer confidence and stimulate the vitality of our retail portfolio

Introduced innovative products and services to enhance customer experience and the value of our portfolio

Accelerated online initiatives to strengthen omni-channel retail platforms

First-in-China, First-in-City, Flagship Leasing Strategy



Online launch of the remaining portion of Wuhan Tiandi La Riva II shortly after the city's post COVID-19 reopening

Enhanced Property Management

- Installed no-rinse sterilisers
- Set up garbage bins for waste masks
- Temperature measurement registration
- Air conditioning and air system disinfection
- Disinfection of public spaces
- Guidelines for safely ordering food on work days

Rental Concessions

Rent↓

- Offered rental concessions and other relief to all retail tenants

Donations

- Donated RMB10 million to Wuhan to support the city
- Donated medical supplies worth RMB500,000 to Wuhan

KEY ACHIEVEMENTS IN 2020

Land Replenishment and New Investment

- Acquired two residential land parcels at Panlong Tiandi in Qingpu District, Shanghai, for strengthening our residential pipeline in Shanghai
- Acquired the last two land parcels at Panlong Tiandi to create a new social and cultural destination in western Shanghai
- Successfully acquired a mixed-use Grade-A landmark property in Nanjing with Grosvenor on a 50/50 basis

Solid Development Progress

- Xintiandi Style I completed an asset enhancement initiative and held its soft opening in November
- Grand opening of Foshan Lingnan Tiandi • The House in September
- Launched office business management brand "SHUI ON WORKX"
- Groundbreaking of Shanghai Hong Shou Fang

Outstanding Sales Achievements

- Shui On Land exceeded its residential sales target in 2020, with accumulated residential contracted property sales amounting to RMB21.2 billion
- Wuhan Tiandi La Riva II (LotB10) achieved over RMB1.6 billion in online property sales within a few minutes on the day of its launch in April
- Ville V in Shanghai launched 132 units in June, with all units sold, achieving over RMB6.4 billion in contracted/subscribed sales
- Panlong Tiandi in Shanghai launched 948 units in October, with a total of over 3,750 groups of customers applying, achieving over RMB5.8 billion in contracted / subscribed sales
- Rui Hong Xin Cheng Parkview led property sales by value in Shanghai in 2020

ESG

- In 2020, the Group developed a new 10-year Sustainable Development Strategy to be rolled out in 2021, with the core vision of becoming a pioneer of premium sustainable urban communities
- Issued a further USD200 million of Green Bonds, adding to the USD300 million inaugural issue and taking the total outstanding to USD500 million

KEY AWARDS IN 2020

THE HUB

2020 ULI Asia Pacific Awards for Excellence

Lighthouse – Headquarter of Shui On Land

WELL CERTIFIED PLATINUM

Shui On Land
Outstanding Listed Company Award 2019 given
by am730 & PR ASIA

Shui On Land
Certificate of Excellence-ESG Leading Enterprises 2020
in the Bloomberg ESG Awards

Shui On Land
Platinum Award
in The Asset ESG Corporate Awards 2020

Shui On Land
Best Investor Relations Company
in the Corporate Governance Asia 9th Asian Excellence Awards 2020

Shui On Land
2020 Top 10 Most Competitive Green Developer in China
China Real Estate Business iGREEN ORG

Shui On Land
Listed No.25 and Ranked "A" in the China Real Estate Enterprise Green Credit Index 2020
from IAC & Green Ranking

Shui On Land
Listed in the Hang Seng Corporate Sustainability Benchmark Index Series

Shui On Land
Listed in MSCI ESG Leaders Index Series

URBAN REGENERATION TO CREATE SUSTAINABLE COMMUNITY

Panlong Tiandi, Shanghai

- An urban village redevelopment project in greater Hongqiao area
- To create a world-class, urban sustainable community in western Shanghai that supports the continuous development of the greater Hongqiao area

A LEADING DEVELOPER TO DELIVER PREMIUM AND UNIQUE LIVING EXPERIENCE

Ville V (Lakeville Phase 5), Shanghai

PIONEER OF INNOVATIVE COMMERCIAL PROPERTIES

Xintiandi Style I & Foodie Social

- Focus on Neo Luxury, target at Z Generation
- New landmark of fashion social destination
- Foodie Social – a new experimental dining and retail concept that promotes healthy and sustainable living

PROJECT PROFILES

Shanghai

Panlong Tiandi Project

The Panlong Tiandi project comprises residential sites totaling a combined GFA of 256,000 sq.m., a GFA of 48,500 sq.m. for culture and recreation / restaurant and hotel development as well as over 230,000 sq.m. of greeneries and open space for the public. The project is situated in Shanghai's Qingpu District, which is part of the Hongqiao CBD. It is next to Panlong Station of Shanghai Metro Line 17 and is just 2 train stops or 3 km away from the Hongqiao Transportation Hub. The Group is developing the site into a premium residential project. The sites were acquired in two phases in late 2019 and May 2020, with the Group holding 80% effective interest.

Construction work on Lot 6 and Lot 11 commenced in March 2020, with saleable GFA of 160,000 sq.m. for residential use. The Group launched the first batch in October 2020 with total GFA of 94,800 sq.m. and all the units in first batch have been sold.

Hong Shou Fang Project

The Hong Shou Fang project is an "Urban Regeneration" project located at the gateway of Changshou Road, the most popular commercial street of Putuo District, Shanghai. The site is located only 2 km away from Nanjing West Road, one of the most prominent CBDs in Shanghai. The site is directly linked to Changshou Road Station, the interchange station of Metro Lines 7 & 13.

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

Taipingqiao Project

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. The project is connected by Shanghai Metro Lines 1, 8 and 10.

The Taipingqiao project, which began its multi-phase development in 1996, comprises of various commercial, office and residential developments including Shanghai Xintiandi, Xintiandi Style I & II, Corporate Avenues, and Lakeville.

Shanghai Xintiandi is a historic residential area that has been successfully rejuvenated into Shanghai's premier lifestyle destination. It continues to attract new tenants from across the world and has remained as a key landmark attraction in Shanghai since it first opened in 2001. Xintiandi Style I completed an asset enhancement initiative ("AEI") program and soft opened on 16 November 2020. A new commercial product module with social cate-focused platform for the young fashionable consumers, "Foodie Social", was successfully operated on the 3rd floor as an innovative incubation and display platform for new catering brands and products. Xintiandi Style II, located south of Shanghai Xintiandi, is a fashion-themed shopping mall. Shui On Plaza is an office tower with retail podium.

Lakeville, the residential development in Taipingqiao, was first launched in 2002. Phases 1 to 4 has a total GFA of approximately 347,000 sq.m.. Ville V (Lot 118), which has a total GFA of 78,000 sq.m., is the latest phase of the residential development and had launched its first batch of units in June 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 in 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 with a street style all-weather shopping and leisure/entertainment area for a total GFA of 84,000 sq.m.. Groundbreaking of the development was held in September 2019. The Group holds an effective interest of 25%.

Rui Hong Xin Cheng

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 rich history and is one of Shanghai's most successful urban renewal projects, 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 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 832,000 sq.m., which were completed across eight phases from 1998 to 2020.

The latest residential phase, Parkview (Lot 1) (phase 8), commenced construction in 2018 with a total GFA of 107,000 sq.m.. The Group launched the first batch for pre-sale in late December 2019. Relocation of Lot 7 (phase 9) was completed in 2019, with pre-sales launched at the beginning of 2021. The Group holds a 49.5% effective interest in Lots 1 & 7.

Hall of the Moon (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 (Lot 6) with a total leasable GFA of 19,000 sq.m. commenced operations in 2015. 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 Grade-A office buildings and a shopping mall (Hall of the Sun). The construction of the Mall's main structure was completed in September 2020 and the development is planned for completion in 2021. The Group holds a 49.5% effective interest of the properties.

Lot 167 (phase 10) has a developable leasable and saleable GFA of approximately 205,000 sq.m.. Relocation work started in August 2017 and as of 31 December 2020, all residents have signed relocation agreements. Lot 167A is currently under construction. The Group has a 49.0% effective interest in Lot 167.

THE HUB

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 Shanghai's 13th Five Year Plan (2016 – 2020), Hongqiao CBD is planned 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 occupied by regional headquarters and branch offices of leading companies in various industries, 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 shopping mall, Xintiandi sunken plaza, and the office retail space. The tenants started operation in the second half of 2015. The shopping mall, with a total GFA of 125,000 sq.m., accommodates over 200 shops and offers a strong tenant mix with many brands making their first appearance in China and/or Shanghai.

In 2020, The HUB project won the 2020 Urban Land Institute ("ULI") Asia-Pacific Award for Excellence.

Knowledge and Innovation Community

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, life, learning and play. The Group envisaged KIC 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 with vibrant cultural exchanges. 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 dynamic eco-system.

A total leasable GFA of 253,000 sq.m. 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, Deloitte, AECOM, SUNMI, and Agora as tenants. University Avenue is a vibrant part of KIC, offering a wide selection of gourmet cuisines, coffee shops, bookstores, galleries and creative retail stores. The Group has a 44.27% effective interest in the project, with the exception of KIC Lot 311 in which the Group has an effective interest of 50.49%.

In 2019, KIC project won the 2019 Urban Land Institute Asia-Pacific Excellence Award and Global Excellence Award.

INNO KIC

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

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

The entire Building B of INNO KIC was leased to Ping An Health Care Investment Management Co., Ltd. in January 2020. Its leased area totals 20,218 sq.m., comprising 18,942 sq.m. of office area and 1,276 sq.m. of retail area.

Nanjing

As part of the Group's Asset Light Strategy, we also manage third-party assets, in particular to leverage on, and to introduce new asset management services to properties in prime locations with 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 has been under pre-leasing since early 2018 and commenced operation in the end of 2018.

Nanjing Bai Zi Ting, the Group's second asset light project in Nanjing, has a total GFA of 48,000 sq.m. of retail, culture and leisure space. We are planning to launch the project for pre-leasing in 2021.

Wuhan

Wuhan Tiandi

The Wuhan Tiandi project has a total GFA of 1.38 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 is a large-scale, mixed-use redevelopment comprising two major sites (site A and B).

Wuhan Xintiandi (Lot A4) commenced operations in 2007 and has since become one of the most recognised commercial landmarks of Wuhan, benefiting from a careful balance of preserving local historical architecture while injecting new commercial contents.

South Hall of HORIZON (Lots A1/A2/A3), which has a total GFA of 120,000 sq.m., commenced operations in September 2016, while North Hall of HORIZON (Lot B4 retail), which has a total GFA of 72,000 sq.m., had its 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. Lot B10, which has a total residential GFA of 114,000 sq.m. has been sold out and planned to be delivered in 2021.

Wuhan Optics Valley Innovation Tiandi

Wuhan Optics Valley Innovation Tiandi, which has a total GFA 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 (Lot R1) with a total GFA of 122,000 sq.m. started in early 2018 and a total GFA of 113,000 sq.m. was delivered by the end of 2020. The second phase (Lot R5) with a total GFA of 111,000 sq.m. commenced construction in 2019 and started pre-sale from the first half of 2020. The Group is progressively developing the remaining lots on the site in multi-phases.

Foshan

Foshan Lingnan Tiandi

The Foshan Lingnan Tiandi project is strategically located in the old town centre of central Chancheng District, which is Foshan's traditional downtown area and public transportation hub. The project enjoys good connectivity with two subway stations of the Guangzhou-Foshan metro line directly linked to the project site. This includes the Guangfo Metro Line 1, which is connected to Guangzhou, and an extended line which commenced operations in 2018, running from Xilang Station to Lijiao Station and passing through the Zhujiang River. The 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 center 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.. It 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 for young and trendy customers.

Since 2011, the Group has developed and delivered to buyers' residential units amounting to a total GFA of approximately 380,000 sq.m.. The latest phase, the Masterpiece (Lot 13a) with a total GFA of 50,000 sq.m. for residential use and 1,000 sq.m. for retail space were launched for pre-sale in late 2019. Over 95% was contracted at the end of 2020.

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

Chongqing

Chongqing Tiandi

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

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

Chongqing 1, 3-5 and 6-8 Corporate Avenue are commercial properties within the Chongqing Tiandi development. With a total office-use GFA of 351,000 sq.m., these properties have been sold to buyers between 2011 and 2013. The commercial properties also comprise ancillary retail space of 79,000 sq.m., of which the Group continues to hold 99% effective interest. 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 79.2% effective interest in the portfolio of 11 parcels at 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 Chongqing Partnership Portfolio.

BUSINESS REVIEW

- **A year of two halves:** 2020 can be characterized as a year of two halves. In the first half of 2020 ("1H 2020"), our businesses experienced significant impact from the COVID-19 outbreak, leading to a substantial decline in the fair value of the Group's investment properties and other property assets. However, in the second half of the year, all of our operations saw notable recovery leading the Group to record a net profit attributable to shareholders of RMB882 million for the second half of 2020 ("2H 2020"). For the full year, the Group recorded a net loss attributable to shareholders of RMB740 million, as compared with a net loss of RMB1,622 million reported in 1H 2020.

- **Strong recovery in commercial portfolio:** For our commercial portfolio, the overall sales in our retail properties have significantly recovered since the third quarter of 2020 and in December 2020, overall sales reached 110% of 2019 levels. The grand total rental & related income recorded RMB2,528 million, representing a marginal decline of 2% from 2019. The year-to-date performance in our commercial portfolio remains satisfactory.

- **Robust residential sales:** Our residential business also delivered a robust performance for the year. 2020 contracted sales were RMB21.2 billion, representing 69% Y/Y increase, underpinned by the launches of Wuhan Tiandi La Riva II, Shanghai Taipingqiao Ville V (Lot 118), Shanghai Panlong Tiandi and Shanghai Rui Hong Xin Cheng ("RHXC") Parkview (Lot 1). A large portion of these contracted sales is expected to be delivered and contribute profit in 2021.

- **Maintaining a strong financial foundation at time of crisis:** Net gearing ratio stayed at a very healthy 45%, seven percentage points down from 52% as of 31 December 2019. Cash and bank deposits also increased by 33% to RMB15,796 million. We continued to take a prudent approach in our new investments. These strong financials should enable the Group to better withstand volatile macroeconomic conditions that may occur in the near future.

- **To be a Pioneer of Sustainable Premium Urban Communities:** Throughout our Group's history, we have always been committed to caring for the environment, to preserving and rejuvenating cultural heritage, and to building and sustaining vibrant communities. In 2020, we developed our new 10-year Sustainable Development ("SD") Strategy to be rolled out in 2021, with the core vision to becoming a pioneer of sustainable premium urban communities.

Shui On Land is a leading commercial property focused developer, owner and asset manager in China, anchored by a prime city centre portfolio in Shanghai. We believe in the creation of long-term value through the design, development and management of unique office and retail products. Our "Asset Light Strategy" which enables us to greatly enhance our financial strength, diversify our capital base and invest in new opportunities, will greatly facilitate this strategic transformation. At the same time, since the inception of Shui On Land, sustainable development has been part of our DNA and we have always been committed to caring for the environment, to preserving and rejuvenating cultural heritage, and to building and sustaining vibrant communities.

Our motto is to be a Pioneer of Sustainable Premium Urban Communities. SD is part of our business strategy, not a separate initiative. We employ a people-centric, sustainable approach to design and build master-planned communities, and we have a widely recognized record of accomplishment in sustainable development.

KEY ACHIEVEMENTS IN 2020

- 2020 contracted sales were RMB21.2 billion, representing a 69% Y/Y increase. This includes the launches of Wuhan Tiandi La Riva II (final batch) in late April, Shanghai Taipingqiao Ville V (Lot 118) in late June, Shanghai Panlong Tiandi first batch in October and Shanghai RHXC Parkview (Lot 1), which together recorded approximately RMB17.0 billion of contracted sales in 2020. RMB4.9 billion of subscribed sales as of 31 December 2020, is expected to be subsequently turned into contracted property sales in the first half of 2021 ("1H 2021") and beyond.

- We completed the acquisition of the remaining four land parcels located in the Panlong area of Shanghai's Qingpu District in late May for a total consideration of RMB2.1 billion. The Group holds 80% effective interests in these sites. The two residential land parcels have a total gross floor area ("GFA") of 74,000 sq.m. and the two commercial land parcels have a total GFA of 48,500 sq.m.. Together with four residential sites acquired in the second half of 2019 ("2H 2019"), the combined parcels will be developed into a new complex project in west Shanghai – Shanghai Panlong Tiandi and contribute saleable resources in 2H 2020 and beyond.

- The groundbreaking of Shanghai Hong Shou Fang was held in August 2020.

- Xintiandi Style I completed an asset enhancement initiative ("AEI") and soft opened in November 2020, with a new commercial product module, "Foodie Social" as an innovative incubation and display platform for new catering brands and products. With focus on Neo Luxury, several specialty shops were introduced, including UNITED TOKYO's first shop in Shanghai, Lenôtre's first flagship shop in China, CaiLan and I.T 3.0 with collective brands.

- In November, the Group re-opened its inaugural US$300 million senior bond under the Green Finance Framework (the "Green Bonds") for a tap of US$200 million. The Green Bonds have a coupon of 5.75% and will mature in November 2023. The transaction will further solidify the Group's commitment towards building dynamic communities that integrate the sustainable development philosophy of green and health.

- The Group successfully acquired a mixed-use Grade-A landmark property in Nanjing with Grosvenor on a 50/50 basis. The property consists of a 45-storey Grade-A office tower, a 7-storey retail podium, as well as 278 underground parking lots with a total GFA of 109,196 sq.m.. The investment is a milestone for Shui On Land to grow its presence in Nanjing, in addition to its Nanjing INNO Zhujiang Lu and Bai Zi Ting projects, and aligns with its Asset Light Strategy of collaborating with strategic partners to invest in prime commercial property assets and to expand its assets under management.

- As recognition of the Group's continuous effort in sustainable development, effective from 7 September 2020, Shui On Land has been included in the Hang Seng Corporate Sustainability Benchmark Index ("HSSUSB") which demonstrates the Group's strongest performance on Community Involvement and Development. In the same month, Shui On Land's headquarter in Shanghai was awarded WELL CERTIFIED™ PLATINUM by International WELL Building Institute™ (IWBI™).

A LEADING PLAYER IN SHANGHAI COMMERCIAL REAL ESTATE

The Group currently holds and manages a total GFA of 1.72 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 under development. Our existing office and retail portfolio is amongst the largest in Shanghai. As of 31 December 2020, the total asset value of the Shanghai Portfolio was approximately RMB77 billion. Total asset value attributable to the Group was approximately RMB45 billion, representing effective interests of 58% in the portfolio.

The table below summarises the development status, asset value and ownership of the Group in the portfolio as of 31 December 2020:

Project	Office GFA sq.m.	Retail GFA sq.m.	Total GFA sq.m.	Attributable GFA sq.m.	Asset Value as of 31 December 2020 RMB'billion	% of ownership
COMPLETED PROPERTIES						
Shanghai Xintiandi, Xintiandi Style I & II, XINTIANDI PLAZA, Shui On Plaza	36,000	104,000	140,000	128,100	12.65	100%/99%/80%/80%
THE HUB	93,000	170,000	263,000	263,000	8.91	100%
Shanghai RHXC	–	111,000	111,000	55,000	3.99	49.5%
Shanghai KIC	186,000	67,000	253,000	117,300	8.47	44.27%/50.49%
INNO KIC	41,000	4,000	45,000	45,000	1.46	100%
5 Corporate Avenue, HUBINDAO	52,000	27,000	79,000	35,200	6.60	44.55%
SUBTOTAL	**408,000**	**483,000**	**891,000**	**643,600**	**42.08**	
LAND & PROPERTIES UNDER DEVELOPMENT						
Shanghai Taipingqiao						
Lots 123, 124 &132	192,000	84,000	276,000	69,000	18.25	25%
Shanghai RHXC						
Ruihong Tiandi Lot 167B	107,000	12,000	119,000	58,300	4.33	49%
Hall of the Sun, Ruihong Corporate Avenue	147,000	183,000	330,000	163,400	10.00	49.5%
Shanghai Hong Shou Fang	48,000	14,000	62,000	62,000	2.00	100%
Shanghai Panlong Tiandi	–	44,000	44,000	35,200	0.46	80%
SUBTOTAL	**494,000**	**337,000**	**831,000**	**387,900**	**35.04**	
GRAND TOTAL	**902,000**	**820,000**	**1,722,000**	**1,031,500**	**77.12**	

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 2020 and 2019:

Project	Product	Leasable GFA	Rental & related income RMB'million		Changes	Occupancy rate		Changes
		sq.m.	2020	2019	%	31 Dec 2020	31 Dec 2019	ppt
Shanghai Taipingqiao								
Shanghai Xintiandi & Style I	Office/ Retail	54,000[1]	**312**	337	(7%)	**97%**	86%	11
Xintiandi Style II	Retail	26,000	**83**	107	(22%)	**83%[2]**	96%	(13)
Shui On Plaza & XINTIANDI PLAZA	Office/ Retail	53,000[3]	**163**	194	(16%)	**89%**	92%	(3)
THE HUB	Office/ Retail	263,000	**443**	464	(5%)	**94%**	99%	(5)
Shanghai KIC	Office/ Retail/ Hotel	247,000	**445**	469	(5%)	**94%**	95%	(1)
INNO KIC[4]	Office/ Retail	45,000	**45**	7	543%	**84%**	20%	64
Wuhan Tiandi	Retail	238,000[5]	**278**	341	(18%)	**89%**	94%	(5)
Foshan Lingnan Tiandi	Office/ Retail	142,000	**244**	260	(6%)	**94%**	97%	(3)
Chongqing Tiandi	Retail	131,000[6]	**56**	57	(2%)	**85%**	73%	12
Nanjing INNO Zhujiang Lu	Office/ Retail	16,000	**15**	15	–	**85%**	74%	11
CONSOLIDATED RENTAL AND RELATED INCOME		**1,215,000**	**2,084**	**2,251**	**(7%)**			
Shanghai RHXC[7]								
(Classified as joint venture income)	Retail	111,000	**169**	179	(6%)	**85%**	88%	(3)
Shanghai Taipingqiao								
5 Corporate Avenue, HUBINDAO (Classified as associate income)	Office/ Retail	79,000	**275[8]**	143[8]	92%	**91%**	90%	1
GRAND TOTAL		**1,405,000[9]**	**2,528**	**2,573**	**(2%)**			

Notes:

1 A total leasable GFA of 15,000 sq.m. was under AEI since March 2019 and re-opened in Nov 2020.

2 The drop in occupancy rate is due to vacating of tenants in preparation of AEI work in 2021.

3 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.

4 INNO KIC opened in April 2019.

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

6 8 Corporate Avenue retail podium with a total GFA of 31,000 sq.m. is undergoing repositioning and tenant upgrades.

7 The Group held 49.5% effective interests in the property. Rental and related income attributable to the Group was RMB84 million in 2020 and RMB89 million in 2019.

8 The acquisition of 5 CA was completed on 20 June 2019. The Group held 44.55% effective interests of the property. Rental and related income after completion in 2019 was RMB143 million. Rental and related income attributable to the Group was RMB64 million in 2019 and RMB123 million in 2020.

9 A total GFA of 15,000 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 decreased by 7% to RMB2,084 million in 2020 compared to RMB2,251 million in 2019, mainly due to the Group's rental concessions and other reliefs offered to retail tenants, the negative COVID-19 impact on operations and vacating of tenants in Shanghai Xintiandi Style II in preparation of AEI work in 2021.

Including the properties held by joint ventures and associates, the total rental and related income only declined by 2% Y/Y to RMB2,528 million in 2020, of which 77% of the rental and related income was contributed by the portfolio located in Shanghai, with the remaining from other cities in China.

Performances by Major Projects

Shanghai Taipingqiao:

The rental and related income of Shanghai Taipingqiao decreased by 13% due to rental concessions provided during COVID-19 and lower occupancy rate in Xintiandi Style II and Shui On Plaza. The South Block retail podium, with a total leasable GFA of 15,000 sq.m., was repositioned as "**Xintiandi Style I**" and soft opened in November 2020. With focus on Neo Luxury, several specialty shops were introduced, including UNITED TOKYO's first shop in Shanghai, Lenôtre's first flagship shop in China, CaiLan and "Foodie Social", an innovative incubation and display platform for new catering brands and products.

Other Shanghai Projects:

THE HUB and **Shanghai KIC** both recorded a slight decline in rental and related income of 5% in 2020 compared to 2019. The decline was mainly due to lower shopper traffic and sales due to COVID-19, and mandatory shutdown of some restricted businesses such as educational outlets, cinemas, etc. during the beginning of the year. **INNO KIC**, which has a total GFA of 45,000 sq.m., commenced operation in April 2019, and contributed RMB45 million rental and related income in 2020 with a current occupancy rate at 84% at the end of December 2020.

Shanghai Rui Hong Tiandi and **Palette** are the commercial assets in the Shanghai RHXC project. The Group holds 49.5% effective interests in the portfolio. Rental and related income of the property decreased by 6% to RMB169 million. Occupancy declined slightly to 85% after the AEI of **Palette 3** completed in June 2020. Rental and related income attributable to the Group was RMB84 million in 2020.

Wuhan Tiandi:

Being the centre of the pandemic, Wuhan was inevitably hit hard during the year. Overall Wuhan Tiandi achieved rental and related income RMB278 million compared to RMB341 million in 2019. The negative impact from COVID-19 was partially offset by the new contribution from North Hall of HORIZON, which held a grand opening in November 2019.

Foshan Lingnan Tiandi:

Foshan Lingnan Tiandi performed relatively well during the pandemic, with the occupancy rate for the NOVA shopping mall remaining at 99% as of 31 December 2020. The overall occupancy rate for the Lingnan Tiandi was 88%. Foshan Lingnan Tiandi phase 3, with a total GFA 5,800 sq.m., had a soft opening in late June, with the main flagship stores including Huawei and Adidas. The rental and related income generated from these properties reached RMB244 million in 2020, a 6% drop compared to 2019.

Chongqing Tiandi:

Rental and related income of **Chongqing Tiandi** remained stable in 2020. The occupancy rate was 92% 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 85% as of the end of 2020. **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 and self-use properties) with a total GFA of 1,949,500 sq.m. was RMB49,675 million as of 31 December 2020. The overall fair value of the portfolio declined by RMB1,786 million (representing 3.6% of the carrying value) during 2020. The properties located in Shanghai, Wuhan, Foshan, Chongqing and Nanjing, respectively, contributed 67%, 13%, 17%, 3% and 0.2% of the carrying value.

The table below summarises the carrying value of the investment properties at valuation as of 31 December 2020 together with the change in fair value for 2020:

Project	Leasable GFA	Increase /(decrease) in fair value for 2020	Carrying value as of 31 December 2020	Fair Value 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 I & II	80,000	158	7,883	2.0%	7,864
Shui On Plaza (Office) and XINTIANDI PLAZA	53,000	(166)	4,173	(4.0%)	3,379
THE HUB	263,000	(66)	8,911	(0.7%)	8,911
Shanghai KIC	247,000	36	8,270	0.4%	3,822
INNO KIC	45,000	29	1,460	2.0%	1,460
Shanghai RHXC	500	–	8	–	8
Wuhan Tiandi	238,000	(771)	6,414	(12.0%)	6,414
Foshan Lingnan Tiandi	142,000	(103)	4,122	(2.5%)	4,122
Chongqing Tiandi	131,000	(245)	1,546	(15.9%)	1,530
SUBTOTAL	**1,199,500**	**(1,128)**	**42,787**	**(2.6%)**	**37,510**
INVESTMENT PROPERTIES UNDER DEVELOPMENT AT VALUATION					
Shanghai Panlong Tiandi	44,000	1	458	0.2%	366
Shanghai Hong Shou Fang	62,000	(64)	1,998	(3.2%)	1,998
Foshan Lot A	254,000	(219)	1,879	(11.7%)	1,879
Foshan Lots B/C	374,000	(366)	2,450	(14.9%)	2,450
SUBTOTAL	**734,000**	**(648)**	**6,785**	**(9.6%)**	**6,693**
INVESTMENT PROPERTY – SUBLEASE OF RIGHT-OF-USE ASSETS					
Nanjing INNO Zhujiang Lu	16,000	(10)	103	(9.7%)	103
GRAND TOTAL	**1,949,500[1]**	**(1,786)**	**49,675**	**(3.6%)**	**44,306**

Note:

1 Hotels for operation and self-use properties are classified as property 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 2020, total recognised property sales was RMB10,403 million (after deduction of applicable taxes). The decrease was mainly due to the absence of residential completion and delivery. The average selling price ("ASP") (excluding other asset disposal) increased by 80% to RMB49,800 per sq.m. compared to 2019, as most of the sales were recorded from Shanghai RHXC Lot 1.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 2020 and 2019:

Project	2020			2019		
	Sales revenue	**GFA sold**	**ASP[1]**	Sales revenue	GFA sold	ASP[1]
	RMB' million	**sq.m.**	**RMB per sq.m.**	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential (Lot 116)	–	–	–	3,326	25,400	138,300
Shanghai RHXC						
Residential (Lot 2)	262	2,300	120,400	703	7,000	106,000
Residential (Lot 1)	7,125	73,100	107,200	–	–	–
Retail	69	900	81,100	–	–	–
Wuhan Optics Valley Innovation Tiandi						
Residential	261	18,700	15,000	1,319	93,900	15,100
Foshan Lingnan Tiandi						
Residential	944	41,600	24,900	1,139	65,700	18,900
Retail	62	4,700	14,000	317	6,670	52,200
Chongqing Tiandi						
Residential	1,450[2]	83,900	23,000	3,441	203,580	22,600
Office & Retail	70	3,600	20,800	189	13,900	14,500
SUBTOTAL	10,243	228,800	49,000	10,434	416,150	26,900
Carparks	160	–	–	305	–	–
SUBTOTAL	10,403	228,800	49,800	10,739	416,150	27,700
Other asset disposal:						
Shanghai RHXC[3]	–			1,270		
GRAND TOTAL	10,403			12,009		
Recognised as:						
– property sales in revenue of the Group[4]	1,448			7,176		
– disposal of investment properties[4]	–			13		
– revenue of associates	8,694			3,501		
– revenue of joint ventures	261			1,319		
GRAND TOTAL	10,403			12,009		

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 RMB1,450 million, ancillary retail space of RMB35 million and carparks sales of RMB84 million were contributed by Chongqing Tiandi partnership portfolio and were recognised as revenue of associates in 2020. 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. The revenue of RMB1,270 million was recognised in 2019 upon the clearance of Shanghai RHXC Lot 7 was completed.

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, Subscribed Sales and Locked-in Sales

The Group's contracted property sales increased by 69% to RMB21,184 million in 2020, compared to RMB12,501 million in 2019, with residential property sales accounting for 99% and the remainder contributed by the sale of commercial units. The increase was due to strong sales performance in Shanghai RHXC Parkview (Lot 1), Taipingqiao Ville V (Lot 118), Shanghai Panlong Tiandi and Wuhan Tiandi La Riva II. The Group expects to launch more residential property developments in 2021, subject to the latest construction progress of the developments, and government pre-sale approval timing. The ASP of residential property sales increased by 89% to RMB58,200 per sq.m. in 2020, compared to RMB30,800 per sq.m. in 2019. The increase was mainly due to changes in project mix. In 2020, a higher proportion of contracted property sales was generated from higher ASP projects in Shanghai.

As of 31 December 2020:

i) a total subscribed sales of RMB4,914 million was recorded, among which RMB2,843 million and RMB925 million were from Shanghai Panlong Tiandi and Taipingqiao Ville V (Lot 118) respectively. These are subject to formal sales and purchase agreements in the coming months.

ii) a total locked-in sales of RMB21.6 billion was recorded and available for delivery to customers and for recognition as profit in 2021 and beyond.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 2020 and 2019:

	2020			2019		
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	**5,531**	**33,800**	**163,600**	–	–	–
Shanghai RHXC (Lot 2)	**170**	**1,300**	**130,800**	352	2,800	125,700
Shanghai RHXC (Lot 1)[1]	**6,844**	**62,600**	**109,300**	4,108	39,100	105,100
Shanghai Panlong Tiandi	**2,931**	**47,800**	**61,300**	–	–	–
Wuhan Tiandi	**1,648**	**35,100**	**47,000**	2,222	51,400	43,200
Wuhan Optics Valley Innovation Tiandi	**1,354**	**67,900**	**19,900**	1,345	87,800	15,300
Foshan Lingnan Tiandi	**982**	**39,300**	**25,000**	310	13,500	23,000
Chongqing Tiandi[2]	**1,376**	**73,000**	**23,000**	3,645	200,600	22,200
Carparks	**164**	**–**	**–**	201	–	–
SUBTOTAL	**21,000**	**360,800**	**58,200**	**12,183**	**395,200**	**30,800**
Commercial property sales:						
Shanghai RHXC	**73**	**900**	**81,100**	39	500	78,000
Foshan Lingnan Tiandi	**66**	**4,700**	**14,000**	113	2,400	47,100
Chongqing Tiandi	**45**	**2,300**	**19,600**	166	11,500	14,400
SUBTOTAL	**184**	**7,900**	**23,300**	**318**	**14,400**	**22,100**
GRAND TOTAL	**21,184**	**368,700**	**57,500**	**12,501**	**409,600**	**30,500**

Notes:

1 The Group held 49.5% interests in the properties.

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

Residential GFA Available for Sale and Pre-sale in 2021 and beyond

The Group has approximately 562,000 sq.m. of residential GFA spanning seven projects available for sale and pre-sale during 2021 and beyond, as summarised below:

Project	Product	Available for sale and pre-sale in 2021 and beyond		
		GFA in sq.m.	Group's interest %	Attributable GFA in sq.m.
Shanghai Taipingqiao Lot 118	High-rises	44,500	99%	44,000
Shanghai RHXC Lot 7	High-rises	125,500	49.50%	62,100
Shanghai RHXC Lot 1	High-rises	5,500	49.50%	2,700
Shanghai RHXC Lot 167A	High-rises	45,900	49%	22,500
Shanghai Panlong Tiandi	High-rises	121,500	80%	97,200
Wuhan Tiandi	High-rises	4,200	100%	4,200
Wuhan Optics Valley Innovation Tiandi	High-rises	86,100	50%	43,100
Foshan Lingnan Tiandi	High-rises	2,800	100%	2,800
Chongqing Tiandi	High-rises	126,000	19.80%	24,900
TOTAL		**562,000**		**303,500**

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

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

PROPERTY DEVELOPMENT

Residential Properties under Development

Shanghai Taipingqiao – Ville V (Lot 118) is under development with a total GFA of 78,000 sq.m. for residential use. Construction commenced in 2018. The sales centre opened in late 2019. The Group launched the first batch for presales on 24 June 2020 with a total GFA of 40,000 sq.m.. Strong sales were recorded with a total amount of RMB6,456 million contracted sales and subscribed sales by the end of December 2020.

Shanghai RHXC – The Gallery (Lot 2), with a total GFA of 3,200 sq.m. (residential GFA of 2,300 sq.m. and retail GFA of 900 sq.m.) was delivered in 2020. Parkview (Lot 1) commenced construction in 2018 and was completed in 2H 2020. Parkview has a total GFA of 107,000 sq.m. for residential use and 3,000 sq.m. for retail shops. The Group launched the first batch for pre-sale in late December 2019 and achieved RMB6.8 billion in contracted sales for 2020. A total GFA of 73,100 sq.m. was delivered in 2020. Relocation of Lot 7 was completed in 2019, with the first pre-sale taking place in January 2021. Lot 7 has a total GFA of 161,000 sq.m. for residential and 2,000 sq.m. for retail shops.

Shanghai Panlong Tiandi – Construction work on Lot 6 and Lot 11 commenced in March 2020, with saleable GFA of 160,000 sq.m. for residential use. The Group launched the first batch in October 2020 with total GFA of 94,800 sq.m. and achieved RMB2.9 billion contracted sales in 2020. Handover is slated to commence in the second half of 2021 ("2H 2021"). Lot 5 started construction in November 2020 and is planned for pre-sale in 2H 2021.

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

Wuhan Optics Valley Innovation Tiandi – The site was acquired in 2017. The second phase (Lot R5) with saleable GFA of 111,000 sq.m. commenced pre-sale from 1H 2020 and achieved RMB1.3 billion contracted sales in 2020. Lot R5 is planned for handover in 2H 2021.

Foshan Lingnan Tiandi – The Masterpiece (Lot 13a) with a total GFA of 50,000 sq.m. for residential use and 1,000 sq.m. for retail space was launched for pre-sale since late 2019. A total GFA of 41,900 sq.m. was delivered in 2020 and the remaining 9,100 sq.m. is planned for handover in 1H 2021.

Chongqing – GLORY MANSION (Lot B13) with a total GFA of 252,000 sq.m., GLORIOUS RIVER (Lots B5&B10) with a total GFA of 176,000 sq.m. and QUIET MANSION (Lot B24-6) with a total GFA of 72,000 sq.m. were under construction. The Group holds 19.8% interests in the partnership portfolio.

Commercial Properties under Development

Shanghai Taipingqiao – Lots 123, 124 &132 held a groundbreaking ceremony in September 2019. The sites will be developed into a commercial complex comprising three Grade-A office towers with a total GFA of 192,000 sq.m. and an all-weather street style shopping mall, named CIPC XINTIANDI COMMERCIAL CENTER, comprising 84,000 sq.m.. The construction of the office towers is planned for completion from 2022 to 2023 in phases and the shopping mall is planned to be handed over in 2023. The Group holds 25% interests in the development.

Shanghai RHXC – Ruihong Tiandi Lot 10 completed relocation in late 2017 and construction work also commenced in 2017. It will be developed into a commercial complex comprising two Grade-A Office Towers named Ruihong Corporate Avenue with a total GFA of 147,000 sq.m., and a shopping mall, named Hall of the Sun, comprising 183,000 sq.m.. The office towers had the topping up of the main construction in September 2020. A leasing promotion show for Hall of the Sun was held in October 2020 together with meland club and I.T group. The development is planned for completion in 2021.

Shanghai Hong Shou Fang – the Group acquired a commercial site located in Hong Shou Fang in the Putuo District of Shanghai with a total GFA of 48,000 sq.m. office and 14,000 sq.m. retail. Construction work commenced in 2H 2020 and is planned for completion in 2022. The Group holds 100% interests in the site.

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 2020, the Group's landbank was 8.6 million sq.m. (comprising 6.4 million sq.m. of leasable and saleable area, and 2.2 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 4.1 million sq.m.. Of the total leasable and saleable GFA of 6.4 million sq.m., approximately 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 2.8 million sq.m. was under development, and the remaining 2.1 million sq.m. was held for future development.

On 19 and 21 May 2020, the Group acquired two parcels of residential sites and two parcels of commercial sites respectively, located in the Panlong area of the Shanghai Qingpu District. The total consideration was RMB2.1 billion. The Group holds 80% effective interests of the sites. The two residential land parcels have a total GFA of 74,000 sq.m. and the two commercial land parcels have a total GFA of 48,500 sq.m..

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 2020, including that of its joint ventures and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA Residential	Office	Retail	Hotel/serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest	Attributable leasable and saleable GFA
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
COMPLETED PROPERTIES:									
Shanghai Taipingqiao	–	88,000	131,000	–	**219,000**	92,000	**311,000**	99.00%[1]	163,000
Shanghai RHXC	34,000	–	114,000	–	**148,000**	145,000	**293,000**	99.00%[2]	73,000
Shanghai KIC	–	164,000	67,000	22,000	**253,000**	142,000	**395,000**	44.27%[3]	117,000
THE HUB	–	93,000	170,000	–	**263,000**	72,000	**335,000**	100.00%	263,000
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	8,000	–	1,000	–	**9,000**	53,000	**62,000**	50.00%	5,000
Foshan Lingnan Tiandi	9,000	16,000	160,000	43,000	**228,000**	152,000	**380,000**	100.00%	228,000
Chongqing Tiandi	–	–	135,000	–	**135,000**	285,000	**420,000**	99.00%[4]	131,000
SUBTOTAL	**51,000**	**402,000**	**1,020,000**	**65,000**	**1,538,000**	**1,178,000**	**2,716,000**		**1,263,000**
PROPERTIES UNDER DEVELOPMENT:									
Shanghai Taipingqiao	78,000	192,000	84,000	–	**354,000**	140,000	**494,000**	99.00%[5]	146,000
Shanghai RHXC	246,000	147,000	186,000	–	**579,000**	200,000	**779,000**	49.50%[6]	286,000
Shanghai Panlong Tiandi	256,000	–	44,000	4,000	**304,000**	104,000	**408,000**	80.00%	243,000
Shanghai Hong Shou Fang	–	48,000	14,000	–	**62,000**	22,000	**84,000**	100.00%	62,000
Wuhan Tiandi	114,000	160,000	–	–	**274,000**	86,000	**360,000**	100.00%	274,000
Wuhan Optics Valley Innovation Tiandi	146,000	119,000	16,000	–	**281,000**	127,000	**408,000**	50.00%	141,000
Foshan Lingnan Tiandi	–	–	1,000	–	**1,000**	–	**1,000**	100.00%	1,000
Chongqing Tiandi	390,000	259,000	213,000	25,000	**887,000**	345,000	**1,232,000**	19.80%	176,000
SUBTOTAL	**1,230,000**	**925,000**	**558,000**	**29,000**	**2,742,000**	**1,024,000**	**3,766,000**		**1,329,000**
PROPERTIES FOR FUTURE DEVELOPMENT:									
Shanghai Taipingqiao	86,000	–	33,000	38,000	**157,000**	–	**157,000**	99.00%[7]	156,000
Shanghai RHXC	–	107,000	12,000	–	**119,000**	39,000	**158,000**	49.00%	58,000
Wuhan Tiandi	111,000	70,000	18,000	–	**199,000**	–	**199,000**	100.00%	199,000
Wuhan Optics Valley Innovation Tiandi	175,000	366,000	333,000	–	**874,000**	–	**874,000**	50.00%	437,000
Foshan Lingnan Tiandi	28,000	450,000	107,000	80,000	**665,000**	–	**665,000**	100.00%	665,000
Chongqing Tiandi	–	–	65,000	–	**65,000**	–	**65,000**	19.80%	13,000
SUBTOTAL	**400,000**	**993,000**	**568,000**	**118,000**	**2,079,000**	**39,000**	**2,118,000**		**1,528,000**
TOTAL LANDBANK GFA	**1,681,000**	**2,320,000**	**2,146,000**	**212,000**	**6,359,000**	**2,241,000**	**8,600,000**		**4,120,000**

Notes:

1 The Group has 99.00% interests 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 effective interests of 100.00%, 80.00%, 100.00%, 44.55% and 98.00%, respectively.

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

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

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

5 The Group has 99.00% interests in Lot 118 for residential use, 25.00% interests in Lots 123, 124 & 132 for office and retail uses.

6 The Group has 49.50% effective interests in Lot 10 for office and retail uses and Lot 7 for residential use, and 49.00% interests in Lot 167A for residential use.

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

FINANCIAL REVIEW

The Group's ***revenue*** for 2020 totalled RMB4,597 million, compared to RMB10,392 million in 2019. The decrease was due mainly to lower property sales arising from timing issues, as there was only one new residential project, Foshan Masterpiece (Lot 13a), that was completed and delivered to homebuyers during the year.

Property sales for 2020 was RMB1,448 million (2019: RMB7,176 million). As mentioned above, there was only one new completion, namely Foshan Masterpiece (Lot 13a), which contributed RMB959 million to property sales in 2020 with the remainder from sales of property and carparks inventories at different projects. Property sales in 2019 comprised of regular property sales of RMB5,906 million, and the remaining revenue of RMB1,270 million from the disposal of 49.5% interests in the residential developments at Shanghai RHXC Lots 1 and 7 to a third party (the "RHXC Disposal"). The regular property sales reported in 2019 mainly comprised of RMB3,412 million, RMB1,558 million and RMB723 million, from Taipingqiao Lakeville Luxe (Lot 116), Foshan (mainly in Lots 2/3) and Shanghai RHXC The Gallery (Lot 2), respectively.

Income from property investment for 2020 decreased to RMB2,138 million (2019: RMB2,345 million), of which ***rental and related income*** from investment properties decreased to RMB2,084 million (2019: RMB2,251 million), representing a 7% year-on-year decrease. The decrease in rental and related income was mainly due to rent concessions and other reliefs offered to our retail tenants in response to the COVID-19 outbreak.

Rental and related income from the Group's Shanghai properties, which accounted for 72% (2019: 70%) of the total, declined 6% to RMB1,491 million (2019: RMB1,578 million). Income from hotel operations, comprising contributions from the Marco Polo Hotel in Foshan, was down to RMB54 million in 2020 (2019: RMB94 million).

However, including rental income from joint venture and associates, rental and related income only declined 2% year-on-year to RMB2,528 million, mainly due to additional contribution from our acquisition of 5 Corporate Avenue under the Shui On Core-Office Venture (SCOV) platform. The deal was closed in June 2019.

Construction income generated by the construction business increased to RMB691 million for 2020 (2019: RMB538 million). The increase was mainly generated from the construction business of Shanghai RHXC Parkview (Lot 1) and the construction services rendered to local government at Qingpu District of Shanghai.

Gross profit for 2020 totalled RMB2,350 million (2019: RMB5,313 million), while ***gross profit margin*** is stable at 51% (2019: 51%). The decrease in gross profit was mainly due to lower Group revenue.

Other income for 2020 declined 42% to RMB311 million (2019: RMB536 million), which mainly comprised of bank interest income and interest income from joint ventures and associates.

Selling and marketing expenses for 2020 increased by 12% to RMB166 million (2019: RMB148 million). The increase was mainly due to higher sales and promotional activities in 2020 due to the robust contracted sales volume in 2020. The selling and marketing expenses incurred in 2020 were mainly in relation to the first batch, pre-sale launch of Taipingqiao Ville V, the remaining residential units of Wuhan La Riva II and the first batch of Shanghai Panlong Tiandi.

General and administrative expenses, which comprises staff costs, depreciation charges and advisory costs incurred, decreased slightly to RMB804 million in 2020 (2019: RMB829 million).

Decrease in fair value of investment properties was RMB1,786 million in 2020 (2019: increase of RMB256 million), representing a 3.6% decrease in valuation when compared with the carrying value of investment properties as of 31 December 2020. The decrease was mainly due to a decline in the fair value of our investment property portfolio outside Shanghai of RMB1,714 million, reflecting the adverse effects of the COVID-19 pandemic. The paragraph titled "Investment Property Performance" in the Business Review Section provides detailed descriptions of these properties.

Other gains and losses recorded a net loss of RMB454 million in 2020 (2019: net loss of RMB150 million). The losses in 2020 primarily comprised:

Gains/(losses)	2020 RMB' million	2019 RMB' million
Cost arising from hedging activities	**(95)**	(150)
Impairment loss for commercial lands costs	**(452)**	–
Loss from fair value change of derivative financial instruments	**(154)**	–
Premium paid for tender and exchange of senior notes	**(69)**	–
Loss from fair value change of liability arising from a rental guarantee arrangement	**(79)**	–
Write back of excess provision for relocation costs	**441**	–

Share of results of associates and joint ventures increased to RMB328 million in 2020 (2019: RMB195 million). It was mainly contributed by the JV project with GRANDJOY in Shanghai RHXC (Lot 1) which commenced delivery of residential properties in 2H 2020, contributing a gain of RMB295 million (2019: loss of RMB20 million).

Finance costs, inclusive of exchange differences amounted to RMB215 million for 2020 (2019: RMB1,497 million). Total interest costs declined by 4% to RMB2,185 million (2019: RMB2,285 million). Of these interest costs, 53% (2019: 45%) or RMB1,155 million (2019: RMB1,033 million) was capitalised as cost of property development, with the remaining 47% (2019: 55%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes that was accounted for as expenses. Exchange gain of RMB863 million (2019: loss of RMB205 million) was recorded because of the appreciation of the RMB against the HKD and the USD in 2020.

Tax recorded a credit amount of RMB182 million in 2020 (2019: charge of RMB1,310 million). The credit amount of tax in 2020 was due to the recognition of deferred tax assets deriving from tax losses and the reduction in deferred tax provision relating to the investment properties. PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction. In addition, as a result of the overall implementation of the Asset Light Strategy exercise, the Group has adopted the most appropriate tax rates at which to measure deferred tax, so as to better reflect our current business model and to allow a more accurate representation of our financial statements. The Group will reassess the accounting treatment on an ongoing basis to ensure the adequacy of the related deferred tax provision on those temporary differences.

Loss for the year 2020 was RMB233 million (2019: profit of RMB2,545 million).

After taking into account the revaluation loss of investment properties and impairment provision for commercial lands costs attributable to shareholders of RMB1,868 million, the Group recorded a net ***loss attributable to shareholders of the Company*** of RMB740 million for 2020 (2019: net profit of RMB1,932 million). ***Basic loss per share*** was RMB9.2 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue in 2020 (2019: earnings per share RMB24.0 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue).

Core earnings of the Group are as follows:

	2020 RMB'million	2019 RMB'million	Change
(Loss)/profit attributable to shareholders of the Company	**(740)**	1,932	(138%)
Decrease/(increase) in fair value of investment properties, net of tax	**1,487**	(196)	
Realised fair value from investment properties disposed of	**–**	(3)	
Realised bargain purchase gain from acquisition of subsidiaries	**–**	159	
Impairment loss on investment properties under development at cost and properties under development for sale, net of tax	**342**	–	
Share of results of joint ventures and associates – fair value loss/(gains) of investment properties, net of tax	**55**	(24)	
	1,884	(64)	
Non-controlling interests	**(16)**	70	
Net effect of changes in the valuation	**1,868**	6	
Profit attributable to shareholders of the Company before revaluation	**1,128**	1,938	(42%)
Add:			
Profit attributable to owners of convertible perpetual capital securities	**49**	116	
Profit attributable to owners of perpetual capital securities	**269**	269	
CORE EARNINGS OF THE GROUP	**1,446**	2,323	(38%)

Having taken into consideration the Group's financial performance during the year and the ongoing uncertainties regarding COVID-19, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HKD0.084).

Major Acquisitions

1) In May 2020, the Group acquired the land use rights in Shanghai Qingpu District at an aggregate consideration of RMB2,096 million. The land consists of the final four land parcels at our Shanghai Panlong Tiandi project, with a total GFA of 122,500 sq.m., of which two land parcels with a total GFA of 74,000 sq.m. are for residential use with land tenure of 70 years and two land parcels with a total GFA of 48,500 sq.m. are for commercial, and culture and recreation use with land tenure of 40-50 years. For details, please refer to the announcements issued by the Company dated 19 and 21 May 2020.
2) In December 2020, the Group established a 50/50 joint venture with Grosvenor Group. The aggregate amount of committed contribution of the joint venture is RMB1,620 million. The joint venture is established to acquire the entire equity interest of a project company that holds a prime Grade-A office building with an ancillary retail podium and carparks in Xinjiekou, Nanjing. In February 2021, the transaction was completed. For details, please refer to the Company's announcement dated 22 December 2020.

Liquidity, Capital Structure and Gearing Ratio

During the year of 2020, the Group undertook an exchange and tender of senior notes, redemption of convertible perpetual capital securities and two new issuances of senior notes. The purpose of refinancing and redemption is to pro-actively manage our overall debt maturity. The details are as follows:

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

2) On 4 June 2020, the Group fully redeemed all the outstanding convertible perpetual capital securities with an aggregate principal amount of USD225 million.

3) On 24 August 2020, the Group issued an aggregate principal amount of USD500 million senior notes due 2024 at a yield of 6.15% per annum.

4) On 2 December 2020, the Group issued an aggregate principal amount of USD200 million green bond due 2023 at a yield of 5.75% per annum. This is consolidated and form a single series with the green bond issued by the Group under the Green Finance Framework in 2019.

The structure of the Group's borrowings as of 31 December 2020 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	9,288	1,852	2,244	2,549	2,643
Bank borrowings – HKD	4,834	2,105	2,418	311	–
Bank borrowings – USD	6,161	3,019	1,842	1,300	–
Senior notes – USD	13,822	4,032	–	9,790	–
Senior notes – RMB	2,241	2,241	–	–	–
Receipts under securitisation arrangements – RMB	513	11	13	60	429
TOTAL	**36,859**	**13,260**	**6,517**	**14,010**	**3,072**

Total cash and bank deposits amounted to RMB15,796 million as of 31 December 2020 (31 December 2019: RMB11,859 million), which included RMB1,313 million (31 December 2019: RMB1,289 million) of deposits pledged to banks and RMB4,506 million (31 December 2019: RMB2,908 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2020, the Group's net debt was RMB21,063 million (31 December 2019: RMB25,882 million) and its total equity was RMB46,733 million (31 December 2019: RMB49,307 million). The Group's net gearing ratio was 45% as of 31 December 2020 (31 December 2019: 52%), 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) over the total equity. Our stable financials should enable the Group to better withstand the volatile macroeconomic conditions that may occur in the near future.

As of 31 December 2020, HKD/USD borrowings including senior notes (unhedged), net off HKD/USD cash and bank deposits, amounted to approximately RMB12,069 million in equivalent, which is around 33% of the total borrowings (31 December 2019: 30%).

Total undrawn banking facilities available to the Group amounted to approximately RMB7,668 million as of 31 December 2020 (31 December 2019: RMB8,717 million).

Pledged Assets

As of 31 December 2020, the Group had pledged investment properties, property and equipment, right-of-use assets, properties under development for sale, receivables and bank deposits totalling RMB43,622 million (31 December 2019: RMB38,605 million) to secure the Group's borrowings of RMB11,921 million (31 December 2019: RMB15,925 million).

Capital and Other Development Related Commitments

As of 31 December 2020, the Group had contracted commitments for development costs, capital expenditure and other investments in the amount of RMB2,990 million (31 December 2019: RMB2,252 million).

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

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

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and perpetual capital securities denominated in USD issued from 2017 to 2020. 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 2020, the Group has entered approximately USD1,470 million and HKD1,050 million forward or capped forward contracts to hedge the USD and HKD currency risk against RMB. In addition, from 1 January 2021 till today, the Group has further entered USD700 million forward contracts. The Group continues to monitor closely its exposure to exchange rate risk and may further consider additional derivative financial instruments to hedge against its remaining exposure to exchange rate risk, if necessary.

The Group's exposure to interest rate risk results from fluctuations in interest rates. Most of the Group's bank borrowings consist of variable rate debt obligations with original maturities ranging from two to fifteen 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.

As of 31 December 2020, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") and Loan Prime Rate ("LPR"). The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swap contracts in which the Group would receive interest at variable rates at HIBOR and pay interests at fixed rates ranging from 0.27% to 0.47% based on the notional amounts of HKD2,570 million in aggregate. In addition, from 1 January 2021 till today, the Group has further entered USD200 million and HKD450 million interest rate swap contracts. The Group continues to monitor closely its exposure to interest rate risk and may further consider additional derivative financial instruments to hedge against its remaining exposure to interest rate risk, if necessary.

Save for disclosed above, as of 31 December 2020, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks and may employ derivative financial instruments to hedge against risk when necessary.

Contingent Liabilities

1) The Group provided guarantees of RMB1,181 million as of 31 December 2020 (31 December 2019: RMB1,152 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.

2) The Group provide a guarantee of RMB250 million as of 31 December 2020 (31 December 2019: nil) to a third party for the fulfilment of the payment obligation of a joint venture of the Group arising from the acquisition of a project company in Nanjing. The acquisition was completed in February 2021 and then the payment obligation was fulfilled by the joint venture.

MARKET OUTLOOK

The onset of COVID-19 in early 2020 plunged global economies into chaos. The implementation of intermittent lockdowns resulted in production stoppages, supply chain dislocation, and a surge in unemployment that prompted governments around the world to roll out unprecedented economic rescue programs. Initially a domestic health threat in China, COVID-19 quickly escalated into a pandemic causing the worst global recession experienced since the Great Depression. While economic recovery was made possible in 2021 due to breakthroughs in vaccine development, the recovery trajectory is expected to be uneven and beset with uncertainties. Many fragile, heavily indebted developing countries will be left behind in the process, while advanced economies that have direct access to vaccine and ample fiscal resources are expected to recover sooner. The pandemic also has the impact of accelerating lifestyle and behavioural changes already underway due to digitalization and the advent of mobile e-commerce.

The COVID-19 outbreak was quickly brought under control in China enabling restoration full-year GDP growth to 2.3%, an exception among G20 nations which experienced varying degree of economic contraction in 2020. With the help of sound economic management and macro-prudential policies, China is on track to achieve stable growth this year. The government will deploy a "dual-circulation" development strategy to overcome the headwinds from an unsettling external global environment. China aims to realize higher quality economic growth and will place stronger emphasis on indigenous innovation and industrial upgrade during the 14th Five-year Plan period. There will be room for calmer US-China relations and de-escalation of bilateral trade tension under the Biden administration, although competition is expected to intensify on technology fronts, spanning the realms of 5G, cloud computing and artificial intelligence.

In 2020, the China residential market has shown resilience, with growth in national sales by area and sales revenue rising by 3.2% and 10.8% respectively. In the 14th Five-year Plan, the authorities vow to promote housing consumption, and will continue to manage the property sector through the use of long-term housing mechanisms to prevent overheating. The overarching goals are to maintain stable and healthy development of the real estate market and to prevent systemic risks. To this end, the government introduced the "three red lines" rule to curtail excessive developers' debt, complemented by a ceiling on bank lending to the property sector. These measures are designed to ensure better alignment of residential supply with the pace of urbanization and economic growth. City cluster development around regional metropolitan centres will be a focal point of China's economic development strategy, and regional hub cities will benefit from further loosening of "hukou" registration policies to attract talent inflows.

China's commercial office market is undergoing a difficult period of adjustment from supply overhang and is expected to face a challenging year in 2021 with occupier demand dampened by cautious business sentiment in the ensuing economic recovery from COVID-19. According to Jones Lang LaSalle (JLL), Shanghai Grade-A office rents fell by 7.4% year-on-year in 2020. There are green shoots however, which signalled rental decline had slowed towards the end of last year. Recent Shanghai government efforts to increase investment in digital infrastructure and to allow further opening of the financial sector should help to boost foreign direct investment and support a resumption of office occupancy growth.

In line with rising disposable income and an expanding middle class, China is continuing its rebalancing from investment towards consumption-led growth. Although the retail market had been severely hit by the outbreak of COVID-19 in Q1 2020, overseas global lockdown and travel restrictions spurred reshoring of luxury purchases last year, and national retail sales began to register positive year-on-year growth starting from August of last year. Nevertheless, prime commercial retail property vacancy in Shanghai jumped from 8.6% in 2019 to 11.0% in 2020, resulting in prime retail property rents dropping 2.4% to RMB46.6 psm per day by year end 2020. According to JLL's projection, Shanghai's prime retail rents is bottoming out and will experience a rebound to RMB46.8 psm per day in 2021.

Despite immense global headwinds, Shanghai managed to steer an economic recovery from the COVID-19 crisis to achieve a GDP growth of 1.7% in 2020. Shanghai is planning to grant wider financial services sector market access for wealth management and financial derivative businesses. The municipality will invest aggressively into its digital infrastructure, with plans to enhance industrial internet and building 100 smart factories. This will help to attract more foreign investment to the services and technology sectors during the 14th Five-year Plan period. The ambition to become a global digital city will boost economic efficiency and further invigorate the city's economic dynamism and international competitiveness. Furthermore, the government has announced plans to speed up the development of five new satellite towns, including Qingpu, Jiading, Songjiang, Nanhui and Fengxian.

Chongqing maintained steady economic growth of 3.9% in 2020, bringing the municipality's GDP to RMB2.5 trillion. This achievement was supported by the city's new strategic industries development plan, which includes industry upgrading of high-tech manufacturing. In 2021, Chongqing government aims to pursue economic growth of over 6%. According to the municipality's 14th Five-year Plan, the size of digital economy is projected to reach RMB1 trillion by 2022, accounting for more than 40% of the city's GDP. The government plans to build a second international airport and will embark on integrated development of Chengdu-Chongqing Economic Circle.

Being the hardest hit city in China during COVID-19 crisis, Wuhan suffered a -4.7% economic contraction in 2020. In the 14th Five-year Plan, Wuhan aims to speed up its development into a national economic centre, a scientific and technological innovation centre, a trade and logistics centre, an international exchange centre and a regional financial centre. The city will promote transformation and upgrading of existing industries to high-end equipment manufacturing, and plan to expand investment into healthcare, biotechnology as well as next-generation information technology businesses.

Foshan's economic growth recovered to 1.6% in 2020. In the 14th Five-year Plan period, Foshan aims to become a national manufacturing innovation centre of the world. Guangzhou-Foshan integration will be a crucial task in the coming five years, and 27 rail lines and 80 roads connecting the two cities will be built to form an integrated transportation network. The government will pursue an innovation-driven strategy, investing heavily to strengthen its education and research facilities. One hundred technology and innovation platforms, including Jihua Laboratory and Xianhu Laboratory are planned to be built.

The city of Nanjing endured the economic shock from COVID-19 relatively well to achieve 4.5% GDP growth in 2020, joining ranks with the nation's top ten cities for the first time. Nanjing relaxed its 'hukou' program with an aim to enrich its human capital pool through attracting inflow of talent and university graduates. Under this program, bachelor's degree holders aged under 45 and university graduates having master's degree or above are qualified to obtain Nanjing 'hukou' status. The city targets its R&D expenditure to reach 3.48% of GDP in 2021 and will implement a program to strengthen technological innovation, making available industrial grants for emerging industries to support its development into an innovative city having global influence.

This year the global economy is starting to rebuild and to stage a recovery from the pandemic-induced recession. The International Monetary Fund ("IMF") is optimistic that global GDP growth will reach 5.5% in 2021. Volatility and downside risks, however, remain prevalent, including virus mutation and possible delays in vaccine procurement and distribution. The pandemic has also exacerbated wealth disparity, and further elevated global debt and geopolitical tensions. China, with COVID-19 spread kept under tight control should be in a better position to take lead in the global recovery process and become a magnet for international capital. Against this backdrop, we will closely monitor the opportunities and risks as economic recovery takes shape, and be ready to act in accordance with the evolving circumstances in China's property market.

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 2020.

Corporate Governance Practices of the Company

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

The Company reviews its corporate governance practices from time to time to ensure it complies with all the applicable code provisions (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 2020, 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 2020.

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

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

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

EXECUTIVE DIRECTORS
Mr. Vincent H. S. LO *(Chairman of the Board, member of the Remuneration Committee, Chairman of each of the Nomination Committee and 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)*
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)*
Mr. Shane S. TEDJARATI
Ms. Ya Ting WU

At the conclusion of the annual general meeting of the Company held on 27 May 2020 ("2020 AGM"), Mr. Frankie Y. L. WONG retired as a Non-executive Director of the Company and ceased to be the Vice Chairman of the Finance Committee and the Investment Sub-Committee of the Company. Apart from the above, during the year ended 31 December 2020, 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 seven 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 or confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

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

The existing Directors, including the INEDs, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board to ensure its efficient and effective functioning. INEDs are invited to serve on the Board committees of the Company. Their active participation in the Board and the Board committees meetings brings independent judgment on issues relating to the Company's strategies, performance and management processes, considering the interests of shareholders of the Company. Site visits to the Company's projects are arranged from time to time to allow members of the Board to keep abreast of project developments.

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.

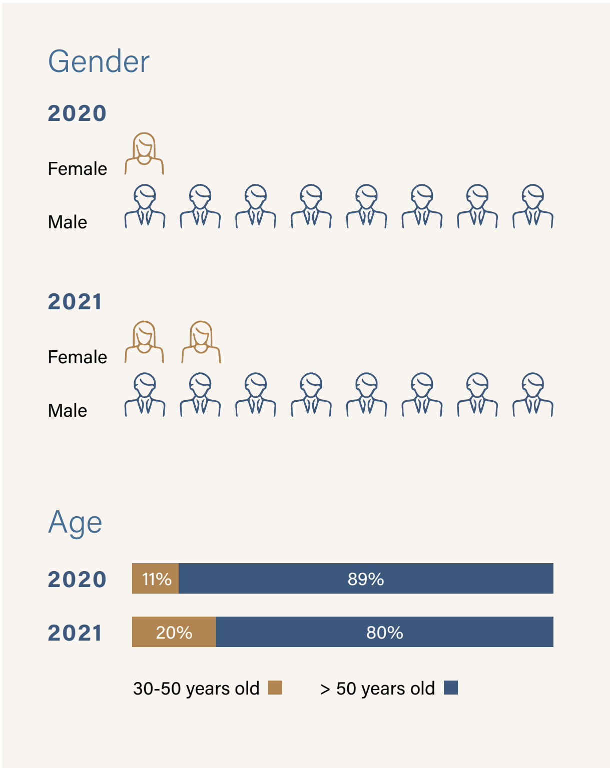
The list of current Directors and a description of their roles and functions were published on the websites of the Company and the Stock Exchange. Brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 95 to 100. Except that Ms. 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 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.

To enhance the Board diversity while maintaining an appropriate balance between continuity of experience and Board refreshment, Mr. Shane S. TEDJARATI and Ms. Ya Ting WU have been appointed as INEDs of the Company on 18 January 2021 and 27 January 2021, respectively. The Nomination Committee took into consideration (i) Mr. Tedjarati's extensive experience in management and strategies for sustainable growth in China and abroad, and (ii) Ms. Wu's extensive business experience and successful track record in the Mainland China consumer goods industry. Brief biographical details of each of Mr. Tedjarati and Ms. Wu are set out in the "Biographies of Directors and Senior Management" section on pages 95 to 100.



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 2020, 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 2020.

Board and Board Committees Meetings and Shareholders' Meetings

Number of Meetings and Directors' Attendance

The Company held the 2020 AGM and five regular Board meetings during the year. Directors' attendance records at Board and Board committees meetings and 2020 AGM are set out below:

	Meetings attended/held during tenure					
Name of Directors	Board meetings	2020 AGM	Audit and Risk Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	Finance Committee meetings
Executive Directors						
Mr. LO	5/5	✓	N/A	1/1	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*	2/3	–	N/A	N/A	N/A	1/2
Independent Non-executive Directors						
Sir John R. H. BOND	4/5	✓	N/A	N/A	–	1/2
Professor Gary C. BIDDLE	5/5	✓	5/5	1/1	1/1	2/2
Dr. Roger L. McCARTHY	5/5	✓	5/5	N/A	N/A	N/A
Mr. David J. SHAW	5/5	✓	5/5	N/A	N/A	N/A
Mr. Anthony J. L. NIGHTINGALE	5/5	✓	N/A	1/1	N/A	2/2

* Mr. Frankie Y. L. WONG retired as a Non-executive Director of the Company at the conclusion of the 2020 AGM.

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.

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

The Audit and Risk Committee held five meetings during the year ended 31 December 2020. 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 2020 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 2020 and annual results for the years ended 31 December 2019 and 2020, 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.

During the year 2020, for the purpose of maintaining independence and objectivity of the auditor and upholding good corporate governance and risk management, the Board resolved not to re-appoint Deloitte Touche Tohmatsu ("Deloitte") as auditor of the Company after its retirement from the conclusion of the 2020 AGM. The Audit and Risk Committee (comprises entirely INEDs) considered the retirement of Deloitte and evaluated the nomination prior to making recommendations to the Board on the appointment of Ernst & Young as auditor of the Company following the retirement of Deloitte. Ernst & Young's appointment effects from the conclusion of the 2020 AGM and until the conclusion of the next annual general meeting of the Company. The Audit and Risk Committee continues to evaluate the independence, the qualification and the performance of the independent auditor as appointed. The independent auditor adopts strict internal independence rules and procedures to ensure no conflict of interests involved in its engagement with the Company and maintain strict compliance with applicable auditing standards.

Ernst & Young has been engaged to perform non-audit work which meets the requirements of the Listing Rules. For the year ended 31 December 2020, the fees for audit and audit-related services and non-audit services accounted are set out in the table below under "External Auditor and Auditor's Remuneration" section on page 69.

The SD Committee was established by the Company in August 2006 and from August 2020 the Audit and Risk Committee had resolved that the SD Committee shall report to and be supervised by it. The purpose of the SD Committee is to assist the Board in providing direction on and overseeing the development and implementation of the sustainability development strategy of the Group and compliance with the Environmental, Social and Governance Reporting Guide or such equivalent guide, practice note or code as set out in the Listing Rules and amended from time to time. The terms of reference of the SD Committee are available on the Company's website (www.shuionland.com/en-us/corporate/Committee).

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.

Remuneration Committee

Primary functions of the Remuneration Committee are:

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

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

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

The Remuneration Committee held one meeting during the year ended 31 December 2020. 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; 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 terms of reference of the Nomination Committee are published and available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Nomination Committee held one meeting during the year ended 31 December 2020. 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 60.

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 five members, namely, Mr. LO (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 sub-committee.

The Finance Committee held two meetings during the year ended 31 December 2020. During the year under review, 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 the 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 2020.

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 2020.

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 2020.

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

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

The statement of the external auditor of the Company about its reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on pages 113 to 116.

Risk Assessment and Management

Strategic Planning

In 2020, 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 2020, 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, including ESG-related risk management measures, are set out in the "Risk Management Report" on pages 73 to 75.

Internal Controls

During the year ended 31 December 2020, 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 2020, the 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 (the "IARD") helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management, internal control and governance processes. 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 2020, the IARD issued reports to the Chairman and relevant management personnel covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit and Risk Committee together with the status of the implementation of their recommendations in each Audit and Risk Committee meeting.

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

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

The IARD has continued to work on their risk management initiatives and also assisted senior management in refining the ethics-related processes and practices. In particular, the IARD has provided ethics training to the procurement staff of the Group as well as Feng Cheng project heads when performing the relevant audits with a view to enhancing the Company's ethical culture.

Ethical Corporate Culture

The Company has established various policies, including its Code of Conduct and Business Ethics, to govern business ethics and best practices. The Company emphasises integrity as an important foundation of its corporate culture and a strategic choice, and leverages it as one of its competitive advantages. The Company's Code of Conduct and Business Ethics regulates, included but not limited to, conflicts of interests (external work, business relationships with family members, 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 2020.

Before the end of each year, all staff of manager grade and above, together with other selected staff, must complete an online declaration of their compliance with the Company's Code of Conduct and Business Ethics in all their business dealings. An online refresher course 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 Conducts and Business Ethics, unless their own business ethics policies shall be more stringent than that of the Company's. The details of the Company's Code of Conduct and Business Ethics are published and available on the Company's website (www.shuionland.com/en-us/corporate/CodeOfConductBusinessEthics).

Anti-Fraud Measures

An Irregularities Reporting System (or whistle-blowing system) was introduced for reporting violations of the Company's Code of Conduct and Business Ethics as well as for making complaints about integrity-related matters from staff, vendors, customers and/or business partners. Telephone 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 2020 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	5.4
Review of interim report for the six months ended 30 June 2020	1.1
Non-audit services:	
Issue of comfort letters in respect of senior notes of the Company	1.1
Tax compliance review and advisory services	3.1
TOTAL	**10.7**

Annual Remuneration of Directors and Senior Management

The remuneration of the Directors and the senior management of the Company is determined in accordance with the Company's remuneration policy and structure and in consideration of the criteria set out in the "Remuneration Committee" section on page 64.

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 2020 is set out below:

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

Details of the remuneration of the Directors for the year ended 31 December 2020 are set out in note 10 to the consolidated financial statements.

The director's fees are fixed at HKD300,000 per annum for each INED. In the event that an INED serves on the Board committees, the relevant director will be paid an additional fee of HKD50,000 per annum for acting as a member of the Audit and Risk Committee, HKD150,000 per annum for acting as the chairman of the Audit and Risk Committee, HKD50,000 per annum for acting as a member of the Nomination Committee, HKD50,000 per annum for acting as a member of the Remuneration Committee, HKD100,000 per annum for acting as the chairman of the Remuneration Committee and HKD50,000 per annum for acting as a member of the Finance Committee.

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

Dividend Policy

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

Dividend payable to shareholders of the Company is also subject to compliance with certain covenants under the senior notes and perpetual capital securities issued, details of which can be found on page 53.

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 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 the residential sales, the Company changed 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 2020, Shui On Land Limited was awarded "Best Investor Relations Company – Hong Kong" in the Asia Excellence Recognition Award by Corporate Governance Asia. Mr. LO was awarded "Best CEO – Investor Relations – Hong Kong" and Mr. Douglas H. H. SUNG, Executive Director and CFO was awarded "Best CFO – Investor Relations – Hong Kong" in the same ceremony.

Information released by the Company to the Stock Exchange is concurrently published on the Company's website, which is regularly updated with corporate developments. Key events regarding financial results, business developments and operations are also announced on a timely basis to investors through the corporate website. 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 regular roadshows and participated in investor conferences during the year ended 31 December 2020, including UBS Greater China Conference, Citi Hong Kong / China Property Conference and Bank of America 2020 Asian Credit Conference. The management and the investor relations team discussed the Company as well as its development and strategies with hundreds of investors in conference calls and video meetings.

The general meetings of the Company provide the best opportunity for the exchange of views between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee 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 is Cantonese with simultaneous interpretation in English. Most of the Directors were present at the 2020 AGM. The general meetings provided shareholders with a useful forum to exchange views with the Board.

In compliance with the HKSAR Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 (COVID-19), the Company has implemented precautionary measures at the 2020 AGM in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the 2020 AGM (the "Stakeholders"), to protect the interest of the Stakeholders, the Networking with Shareholders session was cancelled after the 2020 AGM, the details of which were published in the Company's notice of annual general meeting dated 28 April 2020.

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

Shareholders' Rights

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

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

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

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

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

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

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

Company Secretary

Mr. UY Kim Lun, our Company Secretary, is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with the shareholders and with the management. During the year ended 31 December 2020, 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 2020.

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

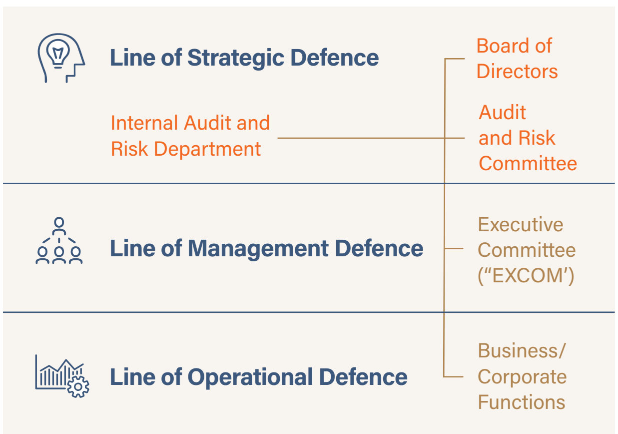
The Company is committed to the continual improvement of its risk management and internal control systems to ensure the long-term sustainability of its business.

Before its initial public offering, the Company established and has since continually operated a risk identification and management system under the responsibility of the Audit and Risk Committee. Our approach and methodology in establishing the risk management mechanism is tailored to the Company's complex business, as it operates in numerous locations throughout the PRC. The Company's internal risk management system exceeds the regulatory requirements and was instituted to enhance the risk management of the Group. 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 programme. The Internal Audit and Risk Department reports the results of the independent risk and control assessment to the EXCOM and provides 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. The major identified risks are summarized as follows:

The Company's Major Risks on

Business

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

ESG

- Reliability of products
- Environmental issues
- Climate change
- Natural disasters and accidents
- Resource scarcity
- Population ageing

Outbreak of COVID-19

- Change of Government policies and regulations
- Financial aspects including huge pressure and uncertainty on the global economy, withdrawal of monetary stimulus by global central banks or change of bank regulatory policy could cause tight market liquidity
- Construction aspects (e.g. delay in project construction schedule and increase in construction costs)
- Adverse impact on operation

(b) Risk Assessment and Prioritisation

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

(c) Risk Response

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

There are in general two types of risk response:

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

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

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

(d) Risk Monitoring

Monitoring is a key component of the risk management system and ensures that risks are identified and communicated in a timely manner to those responsible for taking corrective action and to the Board as appropriate. The 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's risk profile effectively. The Audit and Risk Committee provides continuous updates to the Board at the regularly scheduled meetings throughout the year based on the risk inventory collated by the risk coordinator and the respective key control effectiveness testing results reported by the 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 misstatement or loss, as it is designed to manage rather than eliminate the risk of failure in achieving the business goals of the Company.

The ever-evolving landscape of ESG-related risks continue to have a significant impact on the Group's business operations, and these risks have been incorporated into the enterprise risk management framework to better identify the full spectrum of ESG-related risks. For details, please refer to the "Sustainable Development Report" on pages 76 to 94.

Approach to Sustainable Development

Sustainable development (SD) is an important cornerstone of our real estate business. Throughout our company's history, we have been committed to caring for the environment, preserving cultural heritage, and building and sustaining vibrant communities. We care for our colleagues, partners, and stakeholders, and do our utmost to uphold and raise the quality of our governance.

Faced with increasing global and stakeholder concerns and scrutiny about critical issues including climate change and resource scarcity; and as China has pledged to become carbon neutral by 2060, we recognise our role as a property developer to help support these commitments. Our sustainable business model balances financial profitability with sustainability, social and environmental impact, as well as our contribution to local and regional economies, effectively encompassing all aspects of responsible environmental, social, and governance (ESG) management.

Timeline of SOL's SD journey including key achievements

2019

- Announced the new 5C Sustainable Development Strategy with enhanced SD governance structure
- **Over 80%** of completed commercial projects were green certified
- **32% decrease** in carbon emissions intensity compared to 2011 baseline
- Issued Green Finance Framework and launched first Green Bond of **US$300 million**

2017

Launched the updated Six Major Guidelines for sustainable development 2017-2021

2016

Started to disclose ESG performance as part of the annual report

2012

- Based on the baseline of 2011, announced our first Six Major Guidelines for sustainable development
- Hosted our first SOL Sustainable Development Forum. SD forums have been held on a regular basis since.

2006

Announced our Sustainable Development Policy and formed the Sustainable Development Committee.

1997

Masterplanning began of Taipingqiao, a pedestrian-friendly mixed-use world-class community.

Further details of all our initiatives and contributions in 2020 as well as our 2030 5C Sustainable Development Strategy (5C Strategy) will be shared in the 2020 SD Report. The Report will showcase our enhanced approach to ESG reporting in alignment with the priorities of the 5C Strategy as well as in accordance to the ESG Reporting Guide (Appendix 27) of the Hong Kong Stock Exchange.

2020 – At a Glance

Highlights of our sustainable development efforts in 2020

Launched the 2030 **5C Sustainable Development Strategy**

19% turnover rate, a decrease from 22% last year

24% decrease in construction waste sent to landfill

Over 2,100 volunteer hours contributed

15% decrease in Scope 1 and 2 emissions intensity from 2019, and **41%** from 2011 baseline

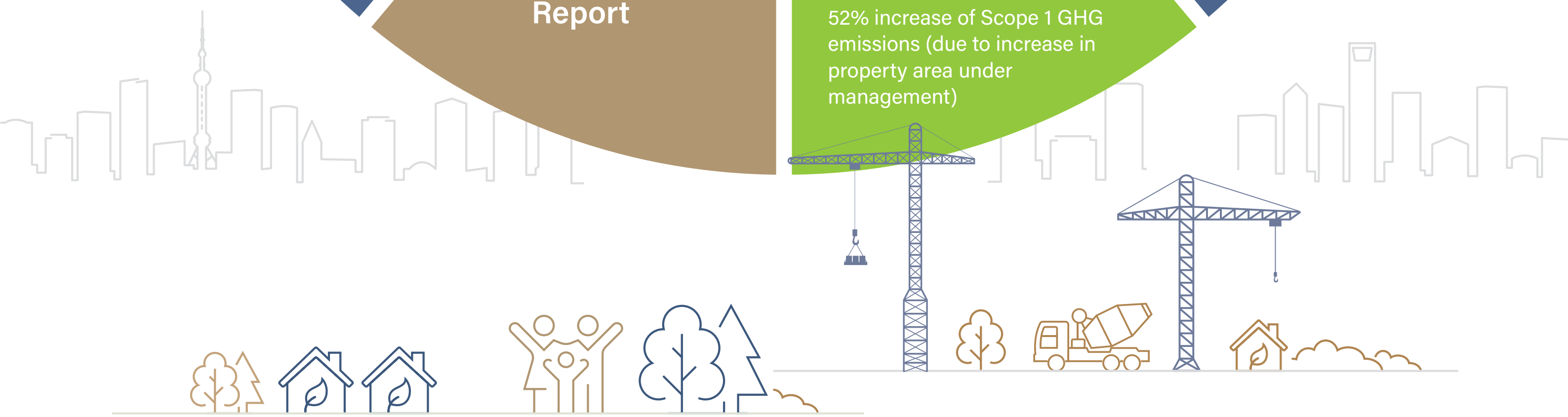
52% increase of Scope 1 GHG emissions (due to increase in property area under management)

Published first **Green Bond Report**

30% decrease in water intensity

RMB 10 million donated to the Wuhan Red Cross for COVID-19 relief

95% overall residential customer satisfaction rate



Sustainable Development Recognition and Awards

In 2020, we earned numerous sustainable development certifications and awards. Most significantly, we were delighted to be recognised for our efforts relating to:

Sustainable development

Hang Seng Corporate Sustainability Index Series:
Became a constituent of the index series in 2020

MSCI ESG Leaders Index Series:
Became a constituent of the index series in 2020

Bloomberg Businessweek/Chinese Edition:
ESG Leading Enterprise Award

The Asset ESG Corporate Awards 2020:
Platinum Award

GoldenBee Think Tank, China Sustainability Tribune:
2020 GoldenBee CSR China Honor Roll

Shanghai Daily:
Excellence Award for Sustainability

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

International WELL Building Institute™ (IWBI™):
Building on Shanghai Xintiandi Community becoming the global first WELL Community-Certified Project in 2019, our headquarters in Shanghai earned WELL CERTIFIED™ PLATINUM for its renovation.

Urban Land Institute (ULI):
THE HUB (Hongqiao Tiandi) wins 2020 ULI Asia Pacific Awards for Excellence

China Real Estate Business, iGREEN ORG:
2020 Top 10 Most Competitive Green Developer in China

China Human Resources Management Research Institute:
Award of Workplace Health Achievement 2020

Responsible investing

IAC, Green Ranking:
Listed No.25 and Ranked A of 2020 China Real Estate Enterprise Green Credit Index TOP 50

Becoming a Pioneer of Sustainable Urban Communities

In 2019, we announced our intention to enlarge our vision of what sustainability means for the Company via the development and implementation of a 2030 5C Sustainable Development Strategy (5C Strategy). To continue to advance our work in this area, we have carefully and thoughtfully crafted a ten-year sustainable development strategy, which will point the way for the Group's sustainable future to 2030 and beyond.

We are committed to providing urban solutions that foster sustainable urban living, enhance local culture, and create vibrant communities for cities in China. Faced with global concerns such as climate change and resource scarcity, and a local drive to improve the environmental responsibility of companies, our sustainability strategy enables us to build and manage communities by concentrating our efforts behind five components that are central to our values and daily operations. We believe these clear strategic priorities, known as the "5Cs": Clean, Community, Culture, Care and Corporate Governance, will support our growth and deliver returns for our many stakeholders. In short, these five components of sustainability have driven the development our 10-year plan. We believe these matters are all core concepts of sustainability at the Company and it is time for us to formally incorporate them into our vision.

The 5C Strategy intends to unite these priorities in alignment with our new corporate vision: **To become a pioneer of sustainable premium urban communities**. The ambitions and priority themes for each 'C' component of the 5C Strategy were developed from an in-depth review of the materiality assessment conducted in 2019, internal and external engagement, as well as rigorous action plan development in 2020. They reflect the types of projects and initiatives we want to drive over the next ten years and serve as a feedback loop to ensure that we remain focussed in meeting our corporate vision. This aligns with our mission to become a leading commercial focussed real estate developer, owner, and asset manager in China.

From material ESG topics to 2030 targets

The 2030 Targets of our 5C Strategy are a reflection of the material ESG topics on which we have been reporting for the past 4 years. During the startegy development process, we reviewed these topics, updated their phrasing to better reflect our current approach to managing them, and then aligned our proprity themes and ambitions for 2030 accordingly.

Priority Themes and Material ESG Topics

Clean

Build green and healthy communities
- Green and healthy buildings
- Indoor air quality
- Water conservation

Transition towards carbon neutrality
- Climate change mitigation and adaptation
- Emissions management

Reduce waste in our portfolio
- Waste management

Community

Enhance partnerships and engagement for thriving sustainable communities
- Value chain management and engagement

Embed health and sustainability into the community experience
- Master planning
- Tenant and customer wellbeing and safety
- Volunteering

Strengthen an innovative and entrepreneurial ecosystem
- Innovation and entrepreneurship

Culture

Rejuvenate urban, cultural heritage sites
- Heritage conservation and urban regeneration

Engage, connect, and promote local creativity with future business opportunities
- Creative expression

Facilitate international cultural exchange
- International cultural exchange

Care

Provide equal opportunities in training and development
- Training and development

Create a diverse and inclusive workplace
- Diversity and equal opportunities

Ensure health and safety for all
- Occupational health and safety

Improve employee wellbeing
- Employee wellbeing

Corporate Governance

Embed sustainability

Steer the business with integrity
- Business ethics and anti-corruption
- Corporate governance

Strengthen emergency preparedness
- Emergency preparedness

The 5C Strategy is also aligned with several national and international sustainable development frameworks and plans, including China's 14th 5-year plan and the United Nations' Sustainable Development Goals (SDGs).

The 5Cs are interconnected and collectively contribute to our corporate vision. Achieving our 2030 targets will require collaboration across all our staff and leadership. As such, we will be updating our ESG governance structure accordingly to ensure everyone on our team has the support and resources needed to achieve these ambitious goals.

We will roll out the 5C strategy beginning in 2021, and the strategic goals and targets that have been developed will be gradually implemented in the coming years. We recognise that as we achieve our short-term goals, our longer-term targets will evolve and as such our work plans will have to be constantly updated. We are confident that this new strategy will provide the group with a roadmap for success in the coming decade and bring us all closer to living in a truly sustainable world.

Ambition	2030 Targets
Transition towards carbon neutrality, leading with climate change mitigation and adaptation practices and by increasing our capabilities to manage and reduce emissions across our entire portfolio.	• Be transitioning towards carbon neutrality across our operations and developments • Be known for our human-centric building designs that meet or exceed international sustainability building standards
For all our built communities to engage and inspire healthy, sustainable living.	• Make our community sustainability practices among the best in China • Build strong partnerships and engagement programs with our stakeholders to inspire healthy, sustainable living • Offer green leasing and adhere to sustainable procurement processes 100% of the time • Enable 100+ start-ups and/or entrepreneurs from our community
Enhance the quality of life and wellbeing of our communities through urban regeneration, heritage conservation, celebrating Created in China and international cultural exchange.	• Embed cultural aspects into 100% of our projects/developments/communities • Publish culture impact report to set industry example and standard
Provide all employees with equal opportunities for holistic career development through specialised training programmes, while maintaining the highest health and safety standards in the workplace and ensuring openness to diversity of thought and innovation – enabling them to be accountable members of society.	• Develop a holistic training programme for every level of employee across all business units, providing all employees an individual professional career development plan • Provide a safe, healthy, and inclusive office environment for all staff
Become a leader in corporate governance by nurturing a corporate culture of integrity, transparency, and accountability.	• Espouse the highest level of China's standards for corporate governance practices

Clean

We have a long and unique history of pursuing environmental sustainability. We continue to pursue this ambition by focussing on areas of health and wellness, carbon emissions reduction, and waste management. In doing so, we expect to improve performance and meet or exceed international building standards throughout a building's lifecycle.

Transition towards carbon neutrality

Reducing our carbon emissions remains among our top priorities as it has become increasingly significant for our customers and other stakeholders. We recognise our capacity to enhance the energy efficiency of our assets and are proactively developing efficiency strategies that can generate value for our business while reducing our carbon emissions intensity over time.

▪ Emissions management

To support national policies and international efforts on carbon emissions, we have adopted effective building technologies and introduced energy-efficiency measures to reduce our carbon emissions. We started tracking our carbon emissions intensity in 2011 and have already achieved a 41% reduction since then. **In March 2021, Shui On Land became the first China-based company in the real estate sector to commit to the SBTi, and will set targets in line with meeting the goals of the Paris Agreement to limit global warming to well-below 2°C. Further we will use our best endeavours to set targets that limit warming to 1.5°C.**

THE HUB (Hongqiao Tiandi) wins 2020 ULI Asia Pacific Awards for Excellence

2020 Highlights

30% decrease in water intensity from 2019

3,764 tonnes of waste diverted from landfill and sent to recycling

15% decrease in Scope 1 and 2 carbon emissions intensity from 2019, **41%** decrease from 2011 baseline.

Achieved our objective ahead of schedule to decrease carbon emissions intensity by **33.3%** by 2021[1]

52% increase in overall Scope 1 carbon emissions from 2019 due to increase in property area under management

- **Climate change mitigation and adaptation**

Beyond managing our own emissions, we actively support local government agencies and industry associations that promote climate mitigation. Further details about our approach to climate-related risk management can be found in the **Incorporating ESG-related risks into enterprise risk management** section.

Build green and healthy communities

We endeavour to create sustainable and health-focussed buildings and communities and achieve this by building to meet the China Green Building Label or LEED certification for all our new developments. We minimize our energy use by leveraging energy-efficient systems across our portfolio and currently, 12 of our commercial projects are equipped with energy consumption and water resource monitoring systems.

- **Indoor air quality**

Our focus for air quality management is centred around air emissions (pollutants and greenhouse gases) and odours, and we are committed to maintaining and improving air quality both in and near all our operations.

- **Water conservation**

Water management is essential to our operations and the well-being of the environment, so we are taking steps to steward sustainable water practices in our business. We choose to do so as how we manage water is critical to us as a company, to neighbouring communities, and our stakeholders. We incorporate design specifications when purchasing water systems, install online water meters and piping equipment, and install energy and water consumption monitoring systems throughout our developments.

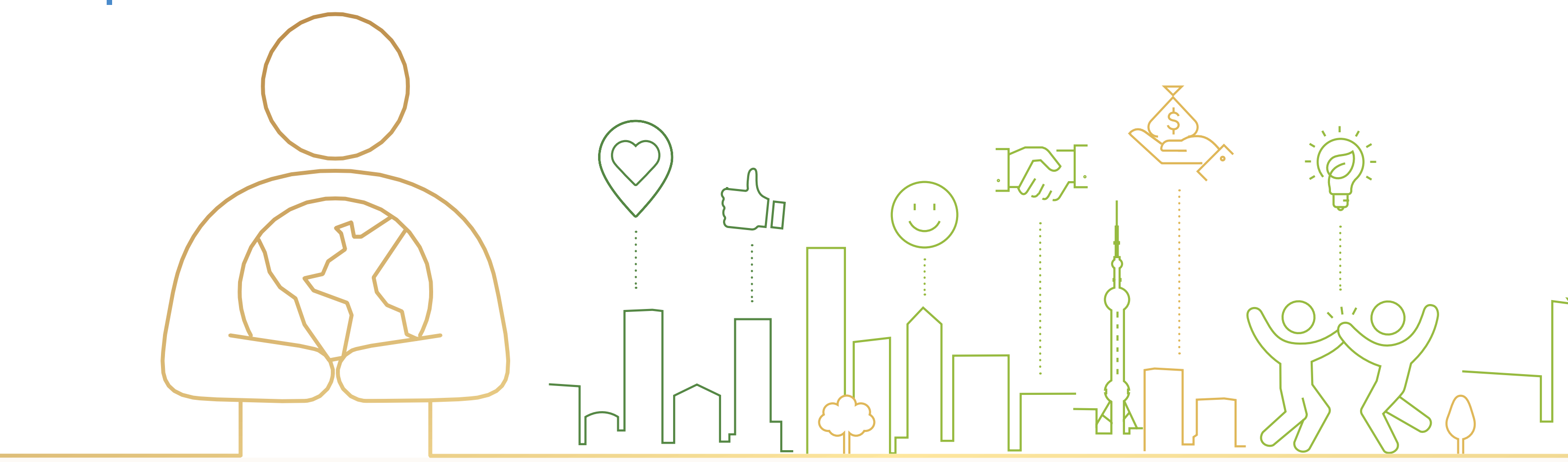
Notes:

1. Compared to 2011

Reduce waste in our portfolio

We acknowledge that the development and operation of buildings can create large quantities of waste and material usage, which we can manage to minimise negative impacts. We take these impacts very seriously and are committed to managing our waste efficiently. We seek to reduce, reuse, and recycle our waste whenever feasible, minimising our contribution to landfills. We acknowledge we are only beginning our work in this area and seek to improve our performance in waste reduction and management in coming years.

Increased waste sorting in office and retail areas to reduce the amount of waste going to landfill



Community

It is our ambition to create and shape communities that thrive today and for years to come. We want all our built communities to engage and inspire healthy, sustainable living. As such, we are committed to incorporating sustainable design elements that enhance liveability while also creating highly connected and accessible communities.

We achieve this by focussing on the wants and needs of our communities and embedding health and sustainability considerations into every aspect of our service offering. We cannot do this alone, so we also continually seek out ways to enhance partnerships and engagement across our value chain so that our entire industry can be elevated together.

Embed health and sustainability into the community experience

We like bringing people together. Our live-work-play-learn community development concepts have been specially designed to help bring whole communities together and to build bonds between our employees and other stakeholders – especially in times of need. The trust of our customers has been earned by our high-quality building services, diligent after-sales service and emphasis on health and safety.

▪ Master planning

We are committed to leading the industry in master planning and our approach to this is to keep human-centric design at the core of every decision. We believe that buildings that bring comfort to both body and mind are everlasting. We also believe that great communities are best built by solving urban issues and creating inclusive spaces that bring people together – in short, building and managing sustainable and healthy communities is what we do best.

▪ Tenant and customer wellbeing and safety

Recognising the needs of our clients and providing products and services that are healthier, more comfortable, environmentally-friendly, and more humanistic are at the core of our customer-service oriented culture. We always do our best to ensure the wellbeing and safety of anyone who comes into one of our developments or enjoys our services. Understanding and responding to our customers' changing needs and consistently improving the customer experience is critical to the sustainability of our business and the ongoing relevance and reputation of our brand, products, and services.

▪ Volunteering

We support local community groups via charitable donations and volunteering. Due to the unprecedented events of 2020, we reassessed our plans for employee volunteering and reallocated much of our budget to health and safety efforts for our employees and our surrounding communities. This entailed support focussed on recovery efforts from flooding in Wuhan and Chongqing as well as relief efforts for COVID-19. Throughout the year, we contributed RMB 13,353,671 to local charities and non-governmental organisations. We also worked with our partners and numerous other stakeholders to support local causes and help provide relief wherever we could.

Tenants, community and the NGO of Roots & Shoots jointly were engaged in Hongqiao Tiandi to promote sustainable lifestyle.

2020 Highlights

95% overall residential customer satisfaction rate

Over **2,100** volunteer hours contributed

100% of new suppliers screened using environmental and social criteria

545 new Mainland China suppliers

over RMB **13 million** donated to local charities

InnoSpace in KIC provides space, funding and other support for incubation and acceleration of start-ups.

Enhance partnerships and engagement

Every year, we partner with over 4,000 of suppliers including construction contractors, professional consultants, and other service providers. These suppliers are a vital component of our supply chain and enable our ability to develop quality developments and services for our customers. We have implemented stringent supplier selection and evaluation criteria that encompass a range of social, environmental, and quality screening parameters. We also leverage our strong relationships with tenants and customers to increase our impact along the value chain by increasing awareness and providing and promoting sustainable options such as reusing existing buildouts in commercial spaces. **In 2021 we will be engaging our tenants and customers in low carbon living by rolling out a plant based foods initiative across our portfolio.**

Strengthen an innovative and entrepreneurial ecosystem

A priority area of the 5C Strategy is to strengthen the innovation and entrepreneurial ecosystem of not only the communities we build but also among the communities in which we operate. We believe that to be a sustainable business, innovation and entrepreneurship must be encouraged in-tandem so that community-based improvements can become pervasive and benefit society at large. We also recognise that innovation plays an important role in addressing critical social and environmental issues. We see innovation as a necessary tool for growth and we nurture local innovators and entrepreneurs.

Operating responsibly in challenging times

No doubt, 2020 was a very challenging year for all of us. We experienced extreme flooding in Wuhan and Chongqing, and of course, were directly affected by the COVID-19 pandemic throughout the year. The outbreak of COVID-19 has impacted the global economy and disrupted social activities, with a significant knock-on effect on the property industry and the Group's business. Our properties in Wuhan, where COVID-19 the worst-hit area in China, were hit hard as the city was fully locked down until early April. Other properties in our portfolio also suffered substantially lower shopper traffic and sales during the initial period of the outbreak.

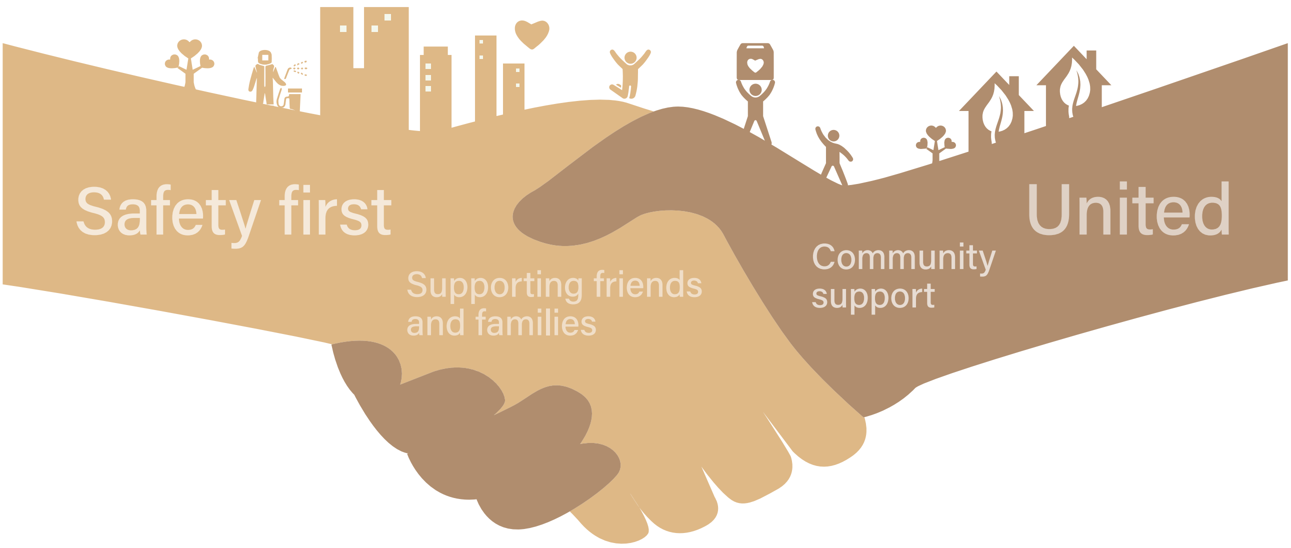
When government restrictions were put in place across the country to control the spread of COVID-19, we knew the wellbeing of our team and communities would be affected. However, we have seen that strong relationships and trust are cornerstones of carrying a company, its employees, and local communities through difficult times and throughout the year we have been determined to do our best to be of help where ever possible.

For our employees, tenants, residents, and customers, we have:

- Introduced measures to fully sanitise our premises on an increased basis and added health screening measures for the safety of all our employees, tenants, and customers
- Provided approximately RMB 500 million in rental concessions and relief measures to tenants
- Set up a "COVID Caring Hut" at Xintiandi where medical consultants can answer the queries from tenants and employees and provide pandemic prevention advice

For our communities, we have:

- Helped raise, together with the New Frontier and the United Family Healthcare, RMB 6 million (RMB 500,000 raised by SOL's staff alone) to purchase medical supplies, including PPE and masks, for Leishenshan and Wuhan Zhongnan Hospitals
- Donated RMB 10 million to the Wuhan Red Cross to purchase medical supplies for support frontline medical workers.



The challenges of 2020, from flooding across China to a global pandemic, can also be considered as an opportunity to learn and prepare for the future. The difficulties of fighting the pandemic have thoroughly tested our management capability, operations efficiency, and crisis management readiness. However, together with our dedicated team, brand strength, as well as sustainable, people-centric developments and solid financial fundamentals, we were able to prevail during this challenging time.

Culture

At Shui On Land, we see culture as the culmination of the ideas, customs, values, social behaviour, and human achievement of a particular community. Culture strengthens our acceptance of others, improves the physical and mental health of a society, and brings about opportunities for people to come together.

Highlights of our own major development include finding win-win solutions for historic preservation and commercial development, small scale replicable urban regenerations and place creation, public, private partnerships linking culture and sustainability together, and other partnerships that promote cultural heritage and development. We also celebrate the shift in emphasis from "Made in China" to "Created in China" for products and services, and reflect this via our support for not only Chinese products and partnerships, but also support for local artists, entrepreneurs, and innovators.

By 2030, we want to have a stronger sense of SOL as a cultural leader and to achieve more ambitious and impressive targets as well as to reflect, review, and revise a new culture strategy beyond 2030.

Tell stories of our heritage

We honour those that came before us by doing our best to conserve the integrity of our heritage and the legacy of our ancestors. As a developer, we do this by actively seeking out cultural landmark buildings and communities and preserving and rejuvenating them.

Our creative and design teams work together to infuse culture-focussed content (such as festivals, exhibitions, artwork, etc.) into our many existing communities to rejuvenate the public's understanding and appreciation for our historical heritage. We also offer facilities (such as exhibition venues, theatres, libraries/bookstores, learning centres, cinema, sports centres) within our neighbourhoods and communities to the benefit of local artists and community groups so that their work can reach a broader audience.

Facilitate international cultural exchange

Shui On Land is committed to nurturing international cultural exchange activities and events because we value the diversity of thought, ideas, and practices. We achieve this by fostering partnerships with local and international cultural organisations for exchange opportunities as well as by hosting international cultural and/or urban regeneration events with other local and international cultural groups, such as Lumieres Shanghai and Shanghai Fashion week – which went virtual this year due to COVID-19 social distancing measures.

Creatively expressing Created in China

Shui On Land celebrates the creative expression of Chinese culture (past, present, and future) and we focus our contributions towards the arts, music, dance, food, fashion, festivals, and education-based activities. We seek to create more opportunities for local artists, designers, and artisans to share their creativity by offering physical spaces within our developments such as public green spaces and exhibition spaces, as well online opportunities. We promote local creators by hiring them for projects as well as organizing events to showcase their work (e.g., Design Shanghai). **In 2021 we will be celebrating the 20th anniversary of Xintiandi by launching the CREATORS 100 program, showcasing the work of 100 Chinese creators.**

Lumieres Shanghai in Shanghai Xintiandi Style I

Care

Our vision to become a pioneer of sustainable premium urban communities starts with a great team. Our 3,141-strong team of caring, dedicated, and creative employees is what has helped us create the business we run today and are the key to our success. We recognise that the future of SOL depends on the quality, performance, and commitment of our dedicated employees.

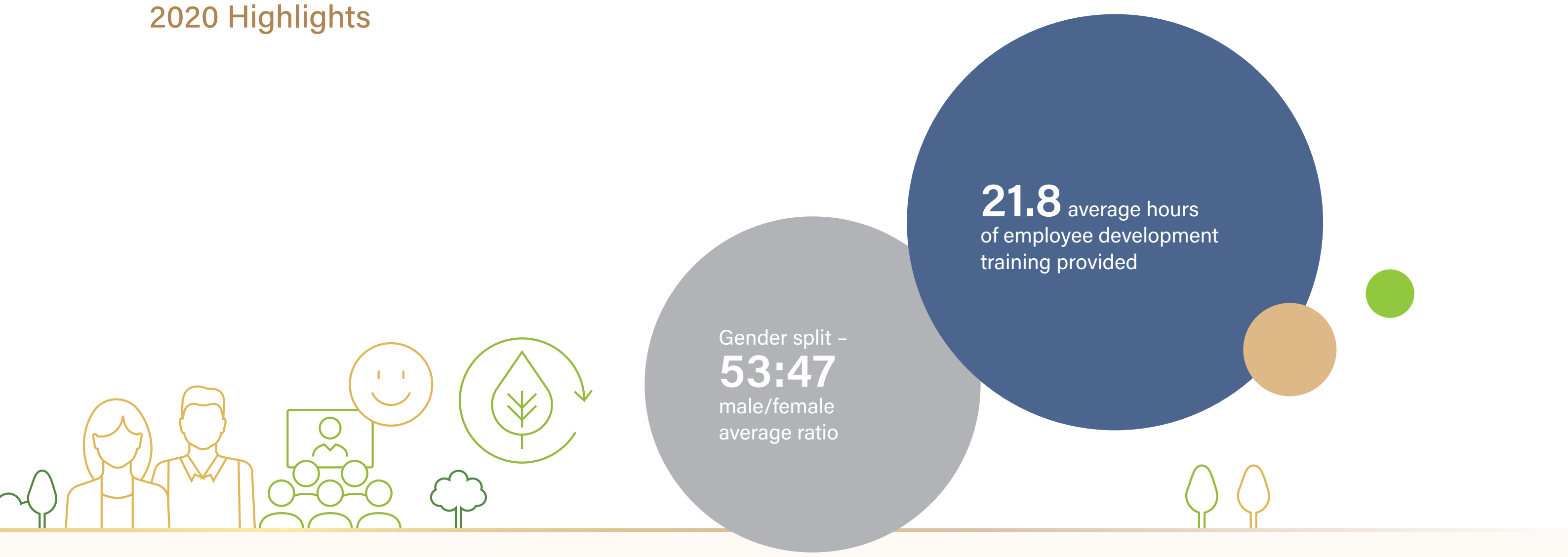
To us, creating a great place to work means treating every employee fairly and providing equal opportunities for holistic career development. To become an employer of choice, we have prioritised offering our staff a safe and healthy working environment and fostering a collaborative working culture, where everyone can be motivated to develop their skillsets and deliver the best results.

We also believe it is imperative to consistently attract, develop, motivate, and retain employees effectively – not only to drive performance and power innovation – but more importantly, to nurture a caring, talented, healthy, and engaged team. We enable a working environment where diversity is considered a strength and discrimination of any kind is prohibited.

Provide equal opportunities in training and development

At SOL, we seek out innovative ideas and new approaches to solutions and believe that our future success depends on our collective ability to build diverse and inclusive teams, communities, and networks. We achieve this by encouraging employees to continually upgrade their professional skillsets

2020 Highlights



through a range of training, practical workshops, and mentorship programs. We also believe in hiring and supporting people from diverse backgrounds so that we can incorporate more perspectives, approach problems differently, and develop the most innovative communities for our customers.

- **Training and development**

Over the years, we have seen that high employee engagement leads to reduced employee turnover, improved productivity, and better business outcomes. Most importantly, engaged employees are happier: both at work and in their personal lives. Reflecting this, we place great focus on employee engagement – particularly training and development.

Create a diverse and inclusive workplace

At SOL, we enable a working environment where diversity is considered a strength and discrimination of any kind is prohibited. Shui On Land is committed to creating a diverse and inclusive working environment for all employees, and will never tolerate any discrimination or harassment related to race, religion, gender, or disability. This equal opportunity approach places people in positions that best suit their abilities. As such, we recruit, retain, and develop the best people for the job based solely on their abilities to bring solutions-oriented voices to our team. Despite international underrepresentation of women in our industry, we have a demonstrably high proportion of women among our staff – comprising 47% of our workforce, which showcases our commitment to gender diversity and fair hiring practices.

Ensure health and safety for all

We are very focussed on providing our employees with a safe and healthy work environment. Health, safety, and wellbeing

have been embedded in our core values and the continuous improvement of our safety performance is embedded in our daily habits. Our goal is to provide an injury-free workplace, and we do our utmost to ensure that all our employees and subcontractor workers return home safely at the end of each day.

Improve employee wellbeing

At SOL, employee wellbeing is all about leading a balanced life and being physically, mentally, and socially healthy. As an employer, we consider the overall wellbeing of our staff to be of utmost importance and offer a range of workplace benefits to help our team maintain a high level of work-life harmony. In addition to parental, vacation, and sick leave; we offer medical benefits, housing assistance, retirement fund (MPF, etc), further education support, and company stock options to all our staff. Also, we conduct an annual market benchmarking and review on pay, benefits, insurance, etc., to ensure that we provide competitive compensation and benefits to our team.

Corporate Governance

We believe that enshrining ESG oriented principles into business strategy makes a company more agile and better prepared to deal with sudden change, whether it be the flooding of major development sites or the immediate need for employees to work from home.

We consider sustainability leadership at the Board and executive levels to be critical to integrating sustainability management and performance into our culture, processes, and business relationships. To ensure that we continually abide by the highest standards of corporate governance and business ethics, we have integrated them into daily operations to ensure our compliance and beyond. Our actions are also guided by our 2030 ambition – as set out in the 5C Strategy – which is to become a leader in corporate governance by nurturing a corporate culture of integrity, transparency, and accountability.

Embed sustainability

Our approach to managing and overseeing ESG-related issues is not separate from our business plan nor how our teams embed ESG 'tasks' into regular operations.

- **Making our corporate governance more sustainable**

As employees and teams from across the company will have differing and sometimes competing KPIs, diverse and well-balanced governance of sustainability helps ensure that we stay on target to meet our many goals. Throughout the 5C Strategy development process, specific tasks and duties required of each member of a committee, team, or board were defined. These contributors are instrumental to embedding a culture of sustainability throughout our business and will enable us to meet our objectives, plus we have updated our governance structure to reflect these changes.

In addition, we have been enhancing our overall approach to corporate governance throughout 2020. We have benchmarked our systems and disclosures against other prominent companies listed in Hong Kong, Mainland China, and globally and have sought to make our disclosures in this Report more transparent.

- **Incorporating ESG-related risks into enterprise risk management**

The ever-evolving landscape of ESG-related risks continues to have a significant impact on our business operations, and we have incorporated these risks into our corporate enterprise risk management (ERM) framework to better identify the full spectrum of ESG risks. As climate change presents various risks and opportunities for our business, and we are committed to identifying, assessing and managing these to support the resilience of our business, assets, communities, customers and people.

We have also put robust governance structures in place that ensure emerging and evolving ESG issues are well captured by both the SD Committee and ERM teams – from risk identification and assessment to communication and reporting and risk governance. When needed, ESG issues are elevated to the Board's agenda and under their leadership, we have effectively incorporated sustainability consideration into our long-term business strategy and daily actions.

Further details of our efforts to incorporate ESG-related risks into enterprise risk management are shared in our 2020 SD Report.

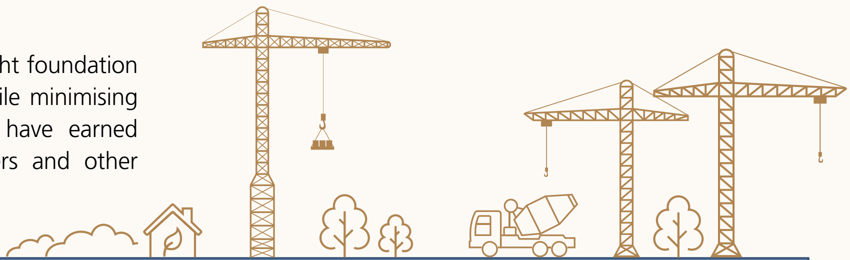
Strengthen emergency preparedness and align with business continuity

During the outbreak of COVID-19, under the leadership of emergency preparedness team, all our projects adopted stringent preventive and control measures, and standardised services, to provide a safe environment for our staff, residents, tenants, and customers. From this experience and after securing the health and safety of our staff throughout 2020, a standardised set of procedures will be instituted to react to any possible public health or natural disaster situation in the future.

Steer the business with integrity

Strong governance within SOL provides the right foundation for building a culture of ethical behaviour while minimising business risk. By acting with integrity, we have earned the trust of our customers, business partners and other stakeholders. Beyond abiding by applicable laws, regulations[2] and normative guidance, we have a comprehensive corporate governance framework, internal controls, and systems for risk management.

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



Funding Sustainable Development Projects

Shui On Land believes that green bonds are a key market-oriented method to engage investors in our sustainable development efforts. In line with our philosophy and approach to sustainability, we have developed a green finance framework to ensure the long-term sustainable development of our business.

We launched our debut green bond in November 2019, raising an aggregate amount of US$300 million, all of which has been used to finance the acquisition of Corporate Avenue 5 in Taipingqiao, Shanghai, the renovation of Shui On Plaza in Shanghai, and the renovation of Shui On Land headquarters. The bond was developed exclusively for projects funded by Shui On Land that promote sustainable development in the real estate industry.

In 2020, we reopened the inaugural senior bond for a tap of US$200 million, bringing the total amount to US$500 million. The reopening transaction demonstrates our commitment towards building dynamic communities that integrate the sustainable development philosophy of building green and healthy communities.

Visit our **Green Bond Report 2020** to learn more.

Note:

2. Including but not limited to the Company Law of the People's Republic of China, Law of the People's Republic of China on Enterprise Income Tax, The People's Republic of China Anti-Unfair Competition Law, and the Contract Law of the People's Republic of China.

Environmental Performance

KPI	DESCRIPTION	UNIT	2020	2019
A1.1	**Emissions from vehicles**			
	NOx	kg	289.63[3]	–[4]
	SOx	kg	0.95	1.42
A1.2	**Greenhouse gas emissions**			
	Scope 1 GHG emissions from stationary combustion	$kgCO_2$, equivalent	15,983,770	10,482,469
	Scope 2 GHG emissions from purchased electricity	$kgCO_2$, equivalent	90,328,178	91,483,559
	Scope 1 & Scope 2 combined	$kgCO_2$, equivalent	106,311,948	101,966,028
	Scope 1 & Scope 2 per square metre of floor area	$kgCO_2$, equivalent/ m^2	52.91	62.60
A1.3	**Hazardous waste produced**			
	Hazardous waste produced	tonnes	–[5]	
	Discharge density of hazardous waste	tonne/1,000m^2		
A1.4	**Non-hazardous waste produced**			
	Total discharge of construction waste	tonnes	29,711	39,125
	Dry garbage	tonnes	41,764	–[6]
	Wet garbage	tonnes	21,933	–[7]
	Total discharge of household garbage	tonnes	63,697	80,144
	Total discharge of non-hazardous waste	tonnes	93,407	119,270
	Recycled materials	tonnes	3,764	–[8]
	Discharge density of non-hazardous waste	tonne/1,000m^2	13.42	17.18
A2.1	**Energy consumption and intensity**			
	Diesel	MWh	536	112
	Gasoline	MWh	1,849	733
	Electricity purchased from grid	MWh	106,156	104,196
	Natural gas	MWh	16,349	18,171
	Total energy consumption	MWh	124,889	123,212
	Intensity of energy consumption	MWh/1000m^2	62.16	75.65
A2.2	**Water consumption and intensity**			
	Total water consumption	m^3	1,156,125	1,330,098
	Water consumption intensity	m^3/1000m^2	575.39	816.64
	Sewage discharge	m^3	1,040,512	1,197,088

Notes:

3. Data is an estimate figure
4. Relevant figures are disclosed from 2020 onwards
5. Data for hazardous waste has not been collected for 2020 nor in previous years.
6. Data for dry garbage was not collected in previous years.
7. Data for wet garbage was not collected in previous years.
8. Data for recycled materials was not collected in previous years.

Social Performance

KPI	DESCRIPTION	UNIT	2020	2019
B1.1	**Employment by gender**			
	Male	# employees	1,662	1,705
	Female	# employees	1,479	1,532
	Total	# employees	**3,141**	**3,237**
B1.1	**Employment by contract type**			
	Permanent contract	# employees	876	–[9]
	Temporary contract	# employees	2,265	–[10]
B1.1	**Employment by employment type**			
	Full time	# employees	3,141	–[11]
	Part time	# employees	37	–[12]
B1.1	**Employment by age group**			
	Under 30 years	# employees	570	629
	30 – 50 years	# employees	2,206	2,251
	50 year and above	# employees	365	357
B1.1	**Employment by geographical region**			
	Hong Kong	# employees	8	7
	Mainland China	# employees	3,133	3,230
B1.1	**Employment by employee category**			
	Senior Management	# employees	122	126
	Middle Management	# employees	289	271
	Staff	# employees	2,550	2,676
	Operational staff	# employees	180	164
B1.2	**Employee turnover rate by gender**			
	Male	%	21%	23%
	Female	%	17%	20%
B1.2	**Employee turnover rate by age group**			
	Under 30 years	%	24%	27%
	30 – 50 years	%	17%	21%
	50 year and above	%	26%	17%
B1.2	**Employee turnover rate by geographical region**			
	Hong Kong	%	13%	–[13]
	Mainland China	%	19%	22%
B2.1	**Number and rate of workplace fatalities**			
	Number of workplace fatalities	# employees	1[14]	0
	Rate	%	0.03	0
B2.2	**Lost days due to work injury**			
	Number of lost days due to work injury	# days	483	493

Notes:

9 – 13. Relevant figures are disclosed from 2020 onwards

14. Fatality of a SOL contracted worker

KPI	DESCRIPTION	UNIT	2020	2019
B3.1	**Percentage of employees trained by gender**			
	Male	%	94.5%	91.4%
	Female		88.8%	81.3%
B3.1	**Percentage of employees trained by employee category**			
	Senior Management	%	95.9%	78.7%
	Middle Management		96.9%	90.1%
	Staff		90.5%	86.5%
	Operational staff		100%	–[15]
B3.2	**Average training hours completed by gender**			
	Male	Hours	26.7	20.6
	Female		16.4[16]	12.9
B3.2	**Average training hours completed by employee category**			
	Senior Management	Hours	16.9	12.1
	Middle Management		23.9	18.2
	Staff		21.8	16.8
	Operational staff		22.2	–[17]
B5.1	**Number of suppliers by geographical region**			
	Number of increased Chinese Mainland suppliers	#	297	405
	Number of increased Chinese Mainland contractors		248	189
	Suppliers from Hong Kong		52	–[18]
	Suppliers from China		4,627	4,149
	Suppliers from elsewhere		67	64
B6.2	**Number of products and service related complaints received and how they are dealt with**			
	Total services related complaints received	#	285	352
	Complaint handling rate	%	100%	100%
	Overall customer satisfaction of the properties	Score	94.7	94.1
	Residential customer satisfaction		95.1	94.8
	Office building customer satisfaction		93.8	94.7
	Shopping mall customer satisfaction		95.2	92.8
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**			
	Number of concluded legal cases regarding corrupt practices brought against the **company**	#	0	0
	Number of concluded legal cases regarding corrupt practices brought against any company **employees**		0	0
B8.2	**Resources contributed (e.g., money or time) to the focus area**			
	Total charitable donations by employees	RMB	66,228	23,800
	Total charitable donations by company		13,353,671	3,750,000
	Total charitable donations (in cash)		13,419,899	3,773,800
	Total hours of employee volunteering contributed	Hours	2,192	360

Notes:

15. Relevant figures are disclosed from 2020 onwards
16. This disparity is because more men in the company selected to attend online training than their female counterparts – which was the main format for training provided in 2020 due to COVID-19 related restrictions.

17 – 18 Relevant figures are disclosed from 2020 onwards

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Vincent H. S. LO

Mr. Douglas H. H. SUNG

Board of Directors

Executive Directors

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

aged 72, 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,

aged 54, 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

Sir John R. H. BOND

Ms. Stephanie B. Y. LO,

aged 38, 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 17 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.

Independent Non-executive Directors

Sir John R. H. BOND,

aged 79, 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.

Professor Gary C. BIDDLE,

aged 69, 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

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

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 8,100 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 72, 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 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

Mr. David J. SHAW

Mr. Anthony J. L. NIGHTINGALE

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 74, 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 73, 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.

Mr. Shane S. TEDJARATI,

aged 58, is President of Global High Growth Regions in Honeywell International Inc. ("Honeywell") (NYSE: HON) and

Mr. Shane S. TEDJARATI

Ms. Ya Ting WU

has been an officer of the company since September 2004. Mr. Tedjarati is responsible for driving the business expansion of Honeywell in high growth regions of the world: Asia, Africa, Latin America, the Middle East and Eastern Europe. Prior to joining Honeywell, Mr. Tedjarati spent 20 years in information technology and management consulting fields and was the regional managing director for Deloitte Consulting (Greater China) from July 1999 to August 2004, where he worked with Chinese state-owned enterprises and multinational corporations to help them formulate and execute strategies for sustainable growth in China and abroad. Mr. Tedjarati studied Mathematics and Computer Science at McGill University, Canada; Masters of Business Administration at University of Surrey, United Kingdom; and Executive Program in e-Commerce at the Wharton School of Management of the University of Pennsylvania. Mr. Tedjarati is an accomplished aviator and holds the highest levels of FAA pilot certifications (Airline Transport License) and jet type ratings.

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

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

Ms. Ya Ting WU,

aged 46, is the Chief Executive Officer of Fengmao Trade (Shanghai) Co., Ltd. ("Fengmao"), a joint venture between Richemont/Yoox Net-a-Porter Group and Alibaba Group. Ms. Wu joined Fengmao in July 2019 and Unilever Group in September 1998. Ms. Wu took on different roles across different countries while she was with Unilever Group; she was employed by Unilever China Co. Ltd. as the Vice President of Digital and E-Commerce for Unilever North Asia. She has more than 22 years of working experience in the consumer goods industry and luxury fashion industry with successful track record of business delivery across 6 countries of which more than 10 years within Mainland China.

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

Senior Management

Ms. Jessica Y. WANG,

aged 46, 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 26 years of working experience in the property development industry in the PRC. Prior to joining the Group, Ms. Wang worked in sales and marketing at a real estate company in Shanghai.

Ms. Wang holds a Bachelor of Engineering degree 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, Vice Chairman of Hong Kou District non-Party Intellectuals Association, Vice President of Shanghai Real Estate Chambers of Commerce and Vice President of Shanghai Real Estate Trade Association.

Mr. Allan B. ZHANG,

aged 42, is an Executive Director of SOM and China Xintiandi. Mr. Zhang leads the development and operation management of the Group's commercial assets in various cities in Mainland China. He also leads the corporate headquarters' asset management, marketing, operation, business innovation and other business management functions; and the development of commercial products such as development research, product development and project design development functions. He is also responsible for the Company's overall development project in Shanghai Taipingqiao area.

Mr. Zhang has 17 years of experience in the PRC property development and commercial asset management 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, where he was involved in several mixed-use city center community projects, such as Rui Hong Xin Cheng, Wuhan Tiandi, KIC, the Taipingqiao mixed-use development and Nanjing Xintiandi. 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.

Mr. UY Kim Lun,

aged 57, is 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 29 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

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries, associates and joint ventures are set out in Notes 46, 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 28 to 37, pages 38 to 47, pages 48 to 49, pages 50 to 54 and pages 55 to 57 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in Financial Review on pages 50 to 54. Also, the financial risk management objectives and policies of the Group can be found in Notes 41 and 42 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 38 to 47 and pages 50 to 54. An analysis of the Group's performance during the year using financial key performance indicators is provided in Financial Review on pages 50 to 54. 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 58 to 72, pages 76 to 94 and pages 101 to 112 of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss on page 117.

Having taken into consideration the Group's financial performance during the year and the ongoing uncertainties regarding COVID-19, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HKD0.084).

INVESTMENT PROPERTIES

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

PROPERTY AND EQUIPMENT

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 212 of this Annual Report.

SHARE CAPITAL

Details of share capital of the Company during the year ended 31 December 2020 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 2020 were RMB19,024 million (2019: RMB18,413 million).

DIRECTORS

The Directors of the Company during the year ended 31 December 2020 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 (retired on 27 May 2020)

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
Mr. Shane S. TEDJARATI (appointed on 18 January 2021)
Ms. Ya Ting WU (appointed on 27 January 2021)

In accordance with Article 102 of the Articles of Association of the Company (the "Articles of Association"), Mr. Douglas H. H. SUNG, Mr. Anthony J. L. NIGHTINGALE and Sir John R. H. BOND will retire from office by rotation at the forthcoming annual general meeting to be held on 27 May 2021 ("AGM"). Except for Sir John R. H. BOND who will not stand for re-election in order to devote more time on his personal endeavours, the other Directors, being eligible, will offer themselves for re-election at the AGM.

In accordance with Article 97(3) of the Articles of Association, Mr. Shane S. TEDJARATI and Ms. Ya Ting WU will hold office until the AGM and, 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 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

	Number of ordinary shares			Interests in the underlying shares		
Name of Directors	Personal interests	Family interests	Other interests	Share options (Note 3)	Total	Approximate percentage of interests to the issued share capital of the Company (Note 4)
Mr. Vincent H. S. LO ("Mr. Lo")	–	1,849,521 (Note 1)	4,463,835,751 (Note 2)	–	4,465,685,272	55.39%
Mr. Douglas H. H. SUNG ("Mr. Sung")	–	–	–	437,000	437,000	0.0054%
Ms. Stephanie B. Y. LO ("Ms. Lo")	–	–	4,463,835,751 (Note 2)	437,000	4,464,272,751	55.37%
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, 2,674,990,325 shares, 33,503,493 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 62.60% as of 31 December 2020. 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 2020.

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

Name of Directors	Number of ordinary shares				Approximate percentage of interests to the issued share capital (Note 3)
	Personal interests	Family interests	Other interests	Total	
Mr. Lo	–	312,000 (Note 1)	234,381,000 (Note 2)	234,693,000	62.68%
Ms. Lo	–	–	234,381,000 (Note 2)	234,381,000	62.60%

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. 374,396,164 shares) of SOCAM at 31 December 2020.

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

Name of Directors	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Mr. Lo	Shui On Development (Holding) Limited ("SODH")	Founder and discretionary beneficiary of a trust	RMB72,720,000 USD19,300,000
		Family interests	RMB35,500,000 USD2,000,000
Mr. Sung	SODH	Personal interests	USD200,000
Ms. Lo	SODH	Discretionary beneficiary of a trust	RMB72,720,000 USD19,300,000

Save as disclosed above, at 31 December 2020, 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 2020, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity / Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests to the issued share capital of the Company (Note 4)
Mrs. Lo	Family and personal interests	4,465,685,272 (Notes 1 & 3)	55.39%
HSBC Trustee	Trustee	4,463,835,751 (Notes 2 & 3)	55.37%
Bosrich	Trustee	4,463,835,751 (Notes 2 & 3)	55.37%
SOCL	Interests of controlled corporation	4,463,835,751 (Notes 2 & 3)	55.37%

Notes:

(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,463,835,751 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 4,463,835,751 shares under Part XV of the SFO.

(2) These shares were held by SOCL through its controlled corporations, comprising 1,725,493,996 shares, 2,674,990,325 shares, 33,503,493 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 62.60% as of 31 December 2020. 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 2020.

Save as disclosed above, at 31 December 2020, 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 37 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 2020	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2020	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	4,288,962	–	–	(4,288,962)	–	28 June 2013 – 17 January 2020
	7 July 2015	2.092	3,425,400	–	–	–	3,425,400	1 June 2016 – 6 July 2021
	4 July 2016	1.98	4,747,800	–	–	(151,200)	4,596,600	1 June 2017 – 3 July 2022
SUB-TOTAL			**12,462,162**	**–**	**–**	**(4,440,162)**	**8,022,000**	
TOTAL			**13,336,162**	**–**	**–**	**(4,440,162)**	**8,896,000**	

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 2020, the number of shares available for issue in respect thereof is 802,663,018 shares.

(iv) Limit for each participant

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

(v) Option period

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

(vi) Acceptance and payment on acceptance

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

(vii) Subscription price

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

(viii) Remaining life of the Share Option Scheme

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACT

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

EQUITY-LINKED AGREEMENT

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

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

On 4 June 2015, SODH issued USD225 million 7.50% senior convertible perpetual capital securities (the "Securities"). On 4 June 2020 (the "Redemption Date"), SODH redeemed all the outstanding Securities with the aggregate principal amount of USD225 million. Upon redemption of all the outstanding Securities on the Redemption Date, all the Securities were cancelled.

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

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 2020.

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 58 to 72.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 40 to the consolidated financial statements also constituted connected transactions or continuing connected transactions of the Company but these transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in Note 40 to the consolidated financial statements, no transaction, arrangement and contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a transaction, arrangement and contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name of 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 competewith 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

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 2020, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the non-competition undertakings as contemplated under the Deed.

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

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

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

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

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

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

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

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

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, the 2023 SODH Notes, the 2024 SODH Notes and the 2025 SODH Notes may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB9,658 million at 31 December 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 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float during the year ended 31 December 2020, as required under the Listing Rules.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB13.35 million (2019: RMB3.75 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, less than 30% of the Group's sales were attributable to the five largest customers combined.

For the year ended 31 December 2020, the aggregate payments for contruction services attribtable to the Group's the five largest construction contractors were less than 30% of our total payments for construction services.

AUDITOR

Messrs. Deloitte Touche Tohmatsu retired as auditor of the Company from the conclusion of the annual general meeting held on 27 May 2020 ("2020 AGM") and Messrs. Ernst & Young has been appointed as auditor of the Company with effect from the conclusion of the 2020 AGM and until the conclusion of the AGM.

A resolution will be submitted to the AGM to re-appoint Messrs. Ernst & Young as auditor of the Company.

On behalf of the Board

Vincent H. S. LO
Chairman
23 March 2021

INDEPENDENT AUDITOR'S REPORT

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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 117 to 211, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matter

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

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

EY 安永

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 investment properties stated at fair value	
We identified the valuation of completed investment properties stated at fair value and investment properties under construction or development at fair value as a key audit matter due to the significance of the balances to the consolidated financial statements and the involvement of management's judgement in determining the fair value. As disclosed in note 13 to the consolidated financial statements, the investment properties are located in the People's Republic of China (the "PRC"). The fair value of completed investment properties and investment properties under construction or development at fair value amounted to RMB42,787 million and RMB6,785 million, respectively as at 31 December 2020, which in aggregate represents 43% of the Group's total assets. A decrease in fair value of RMB1,776 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. The related disclosures are included in notes 4 and 13 to the consolidated financial statements.	Our procedures in relation to the valuation of completed investment properties stated at fair value and investment properties under construction or development at fair value included: • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer; • Obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and the valuer; • Involving our internal valuation specialist to assist us in evaluating the estimations used by the management of the Group and the valuer, in particular, the valuation models, assumptions, parameters and significant inputs used by the management of the Group and the valuer; and • Assessing the key inputs used in the valuation models by comparing the market rent, capitalisation rate and gross development value, on a sample basis, against current market data and entity-specific information.

Other information included in the annual report

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

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

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

EY 安永

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED – continued

(incorporated in the Cayman Islands with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

EY 安永

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
Hong Kong

23 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'million	2019 RMB'million
Revenue of the Group	5	**4,597**	10,392
Cost of sales		**(2,247)**	(5,079)
Gross profit		**2,350**	5,313
Other income	6	**311**	536
Selling and marketing expenses		**(166)**	(148)
General and administrative expenses		**(804)**	(829)
(Decrease)/increase in fair value of investment properties	13	**(1,786)**	256
Other gains and losses	6	**(454)**	(150)
Share of results of associates and joint ventures		**328**	195
Finance costs, inclusive of exchange differences	7	**(215)**	(1,497)
Reversal of impairment losses under expected credit loss model	8	**21**	179
(Loss)/profit before tax	8	**(415)**	3,855
Tax	9	**182**	(1,310)
(Loss)/profit for the year		**(233)**	2,545
Attributable to:			
Shareholders of the Company		**(740)**	1,932
Owners of perpetual capital securities		**269**	269
Owners of convertible perpetual capital securities		**49**	116
Non-controlling shareholders of subsidiaries		**189**	228
		507	613
		(233)	2,545
(Loss)/earnings per share attributable to the Shareholders of the Company	12		
– Basic		**RMB(9.2) cents**	RMB24.0 cents
– Diluted		**RMB(9.2) cents**	RMB23.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'million	2019 RMB'million
(Loss)/profit for the year		**(233)**	2,545
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange difference arising on translation of foreign operations		**(3)**	(10)
Effective portion of changes in fair value of currency forward contracts designated as cash flow hedges	33	**(668)**	(118)
Effective portion of changes in fair value of interest rate swaps designated as cash flow hedges	33	**(3)**	–
Reclassification from hedge reserve to profit or loss arising from currency forward contracts		**732**	110
Share of other comprehensive income/(loss) of a joint venture and an associate		**45**	(37)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit obligations	36	**1**	3
Gain on revaluation of properties transferred from property and equipment to investment properties, net of tax		**20**	–
Other comprehensive income/(expense) for the year		**124**	(52)
Total comprehensive (expense)/income for the year		**(109)**	2,493
Total comprehensive (expense)/income attributable to:			
Shareholders of the Company		**(620)**	1,880
Owners of perpetual capital securities		**269**	269
Owners of convertible perpetual capital securities		**49**	116
Non-controlling shareholders of subsidiaries		**193**	228
		511	613
		(109)	2,493

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2020

	Notes	2020 RMB'million	2019 RMB'million
Non-current assets			
Investment properties	13	**51,220**	51,913
Interests in associates	17	**7,828**	7,470
Interests in joint ventures	18	**11,973**	11,108
Property and equipment	14	**1,235**	1,053
Right-of-use assets	15	**76**	96
Receivables, deposits and prepayments	19	**335**	268
Pledged bank deposits	21	**1,313**	1,289
Deferred tax assets	34	**825**	922
Other non-current assets		**99**	17
		74,904	74,136
Current assets			
Properties under development for sale	16	**21,247**	17,855
Properties held for sale	22	**938**	973
Receivables, deposits and prepayments	19	**2,440**	3,164
Loans to/amounts due from associates	17	**196**	778
Loans to/amounts due from joint ventures	18	**20**	45
Amounts due from related companies	23	**440**	416
Contract assets	20	**305**	53
Bank balances and cash	21	**14,483**	10,570
Derivative financial instruments	33	**–**	103
Prepaid taxes		**502**	323
		40,571	34,280
Current liabilities			
Accounts payable, deposits received and accrued charges	25	**6,840**	5,564
Contract liabilities	26	**12,907**	3,127
Bank borrowings – due within one year	27	**6,976**	5,852
Senior notes	30	**6,273**	–
Receipts under securitisation arrangements	35	**11**	7
Tax liabilities		**2,910**	3,575
Loans from/amounts due to non-controlling shareholders of subsidiaries	24	**1,511**	1,784
Loans from/amounts due to associates		**799**	453
Amount due to a joint venture		**12**	–
Amounts due to related companies	23	**377**	331
Liability arising from a rental guarantee arrangement	43	**175**	174
Lease liabilities		**28**	29
Derivative financial instruments	33	**722**	–
		39,541	20,896
Net current assets		**1,030**	13,384
Total assets less current liabilities		**75,934**	87,520
Non-current liabilities			
Bank borrowings – due after one year	27	**13,307**	19,971
Senior notes	30	**9,790**	11,399
Receipts under securitisation arrangements	35	**502**	512
Liability arising from a rental guarantee arrangement	43	**117**	208
Deferred tax liabilities	34	**5,409**	6,031
Lease liabilities		**71**	86
Defined benefit liabilities	36	**5**	6
		29,201	38,213
Capital and reserves			
Share capital	28	**146**	146
Reserves	29	**38,431**	39,930
Equity attributable to shareholders of the Company		**38,577**	40,076
Convertible perpetual capital securities	31	**–**	1,345
Perpetual capital securities	32	**4,062**	4,056
Non-controlling shareholders of subsidiaries		**4,094**	3,830
		8,156	9,231
Total equity		**46,733**	49,307
Total equity and non-current liabilities		**75,934**	87,520

The consolidated financial statements on pages 117 to 211 were approved and authorised for issue by the Board of Directors on 23 March 2021 and are signed on its behalf by:

VINCENT H. S. LO
DIRECTOR

DOUGLAS H. H. SUNG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	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
On 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	–	–	–	–	–	–	–
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	–	–	–	–	–	–	–
Remeasurement of defined benefit obligations (note 36)	–	–	–	–	–	–	–
Share of other comprehensive loss of a joint venture	–	–	–	–	–	–	(37)
Total comprehensive (expense) / income for the year	–	–	–	–	–	–	(47)
Lapse of share option	–	–	–	–	(3)	–	–
Acquisition of all the remaining interests in subsidiaries	–	–	–	–	–	–	–
Capital injection by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–
Capital reduction 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 perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–
On 31 December 2019	146	18,078**	122**	(135) **	8**	10**	(185)**
On 1 January 2020	**146**	**18,078**	**122**	**(135)**	**8**	**10**	**(185)**
Profit/(loss) for the year	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	**(3)**
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 (note 33)	–	–	–	–	–	–	–
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 33)	–	–	–	–	–	–	–
Remeasurement of defined benefit obligations (note 36)	–	–	–	–	–	–	–
Gain on revaluation of properties transferred from property and equipment to completed investment properties, net of tax	–	–	–	–	–	–	–
Share of other comprehensive income of a joint venture and an associate	–	–	–	–	–	–	**55**
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	**52**
Lapse of share option	–	–	–	–	**(3)**	–	–
Capital injection by non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–
Capital reduction by a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–
2019 final dividend of HKD0.084 per share paid	–	–	–	–	–	–	–
Redemption of convertible perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–
On 31 December 2020	**146**	**18,078****	**122****	**(135)****	**5****	**10****	**(133)****

* The property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.
** These reserve accounts comprise the consolidated reserves of RMB38,431 million (2019: RMB39,930 million) in the consolidated statement of financial position.

	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 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
	(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
	(115)	**76**	**88**	**21,983**	**40,076**	**1,345**	**4,056**	**3,830**	**9,231**	**49,307**
	–	**–**	**–**	**(740)**	**(740)**	**49**	**269**	**189**	**507**	**(233)**
	–	**–**	**–**	**–**	**(3)**	**–**	**–**	**–**	**–**	**(3)**
	(668)	**–**	**–**	**–**	**(668)**	**–**	**–**	**–**	**–**	**(668)**
	732	**–**	**–**	**–**	**732**	**–**	**–**	**–**	**–**	**732**
	(3)	**–**	**–**	**–**	**(3)**	**–**	**–**	**–**	**–**	**(3)**
	–	**–**	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**1**
	–	**–**	**16**	**–**	**16**	**–**	**–**	**4**	**4**	**20**
	–	**(10)**	**–**	**–**	**45**	**–**	**–**	**–**	**–**	**45**
	61	**(10)**	**16**	**(739)**	**(620)**	**49**	**269**	**193**	**511**	**(109)**
	–	**–**	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**100**	**100**	**100**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**	**(4)**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**(25)**	**(25)**	**(25)**
	–	**–**	**–**	**(623)**	**(623)**	**–**	**–**	**–**	**–**	**(623)**
	–	**(256)**	**–**	**–**	**(256)**	**(1,335)**	**–**	**–**	**(1,335)**	**(1,591)**
	–	**–**	**–**	**–**	**–**	**(59)**	**–**	**–**	**(59)**	**(59)**
	–	**–**	**–**	**–**	**–**	**–**	**(263)**	**–**	**(263)**	**(263)**
	(54)**	**(190)****	**104****	**20,624****	**38,577**	**–**	**4,062**	**4,094**	**8,156**	**46,733**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'million	2019 RMB'million
Cash flows from operating activities			
(Loss)/profit before tax	8	**(415)**	3,855
Adjustments for:			
Depreciation of property and equipment	8	**98**	90
Net foreign exchange difference		**(150)**	(42)
Share of results of associates and joint ventures		**(328)**	(195)
Finance costs, inclusive of exchange differences		**215**	1,497
Cost arising from hedging activities	6	**95**	150
Interest income	6	**(281)**	(488)
Gain on disposal of investment properties	6	**–**	(22)
Decrease/(increase) in fair value of investment properties		**1,786**	(256)
Reversal of impairment on properties held for sale	8	**(1)**	(9)
Impairment loss on investment properties under development at cost	6	**225**	–
Impairment loss on properties under development for sale	6	**227**	–
Impairment loss on property and equipment	6	**21**	–
Reversal of impairment losses under expected credit loss model	8	**(21)**	(179)
Premium for tender and exchange of senior notes	6	**69**	–
Loss from fair value change of liabilities arising from a rental guarantee arrangement	6	**79**	–
Decrease in fair value of derivative financial instruments	6	**154**	–
Depreciation of right-of-use assets	8	**33**	29
Remeasurement of defined benefit liabilities		**–**	1
		1,806	4,431
Decrease in receivables, deposits and prepayments		**605**	1,021
(Increase)/decrease in contract assets		**(252)**	6
Increase in inventories of properties		**(2,700)**	(1,493)
(Increase)/decrease in amounts due from related companies		**(24)**	49
Increase in amounts due to related companies		**46**	–
Decrease/(increase) in amounts due from joint ventures		**25**	(19)
Increase/(decrease) in amount due to a joint venture		**12**	(384)
Decrease/(increase) in amounts due from associates		**132**	(134)
Increase in amount due to an associate		**70**	70
(Decrease)/increase in amounts due to non-controlling shareholders of subsidiaries		**(2)**	3
(Increase)/decrease in prepaid taxes		**(57)**	151
Increase/(decrease) in contract liabilities		**9,780**	(2,532)
Increase/(decrease) in accounts payable, deposits received and accrued charges		**1,399**	(1,375)
Cash generated from/(used in) operations		**10,840**	(206)
Tax paid		**(1,252)**	(1,511)
Net cash flows generated from/(used in) operating activities		**9,588**	(1,717)
Cash flows from investing activities			
Interest received		**226**	578
Additions to investment properties		**(833)**	(298)
Payment of right-of-use assets		**–**	(12)

	Notes	2020 RMB'million	2019 RMB'million
Proceeds from disposal of investment properties, net of transaction costs		–	14
Proceeds from disposal of associates		**85**	1,406
Advances to associates		–	(1,901)
Repayments from associates		**442**	4,662
Advances to joint ventures		**(290)**	(2,409)
Investments in associates		**(40)**	(766)
Repayments from joint ventures		**140**	1,898
Investments in joint ventures		**(668)**	(149)
Investments return from a joint venture		–	25
Repayments from related companies		–	12
Withdrawal of pledged bank deposits		**328**	1,467
Placement of pledged bank deposits		**(352)**	(468)
Acquisition of leasehold lands		**(393)**	(1,860)
Net cash inflow on acquisition of subsidiaries and shareholders' loans		–	1,206
Payments made under a rental guarantee arrangement		**(169)**	(167)
Others		**(223)**	86
Net cash (used in)/generated from investing activities		**(1,747)**	3,324
Cash flows from financing activities			
Capital injected by non-controlling shareholders of subsidiaries		**100**	824
Payments of lease liabilities		**(34)**	(28)
Repayment under securitisation arrangements		**(6)**	(5)
Drawdown of bank borrowings		**5,046**	14,342
Repayments of bank borrowings		**(9,852)**	(16,347)
Settlement for derivative financial instruments designated as cash flow hedge		**34**	225
Increase in senior notes	30	**5,361**	3,638
Interest paid		**(2,003)**	(2,084)
Repayments to related companies		–	(2)
Payment of dividends		**(623)**	(858)
Distribution to owners of convertible perpetual capital securities		**(59)**	(116)
Distribution to owners of perpetual capital securities		**(263)**	(268)
Dividend payment to non-controlling shareholders of subsidiaries		**(54)**	(25)
Redemption of convertible perpetual capital securities		**(1,591)**	–
Capital reduction paid to a non-controlling shareholder		**(6)**	(49)
Payments for acquisition of the remaining interests in subsidiaries		–	(3,399)
Proceeds from disposal of partial equity interests of subsidiaries		**46**	–
(Repayment to)/ loans from a non-controlling shareholder of subsidiaries		**(240)**	5
Loans from an associate		**275**	–
Net cash flow used in financing activities		**(3,869)**	(4,147)
Net increase (decrease) in cash and cash equivalents		**3,972**	(2,540)
Cash and cash equivalents at the beginning of the year		**10,570**	13,104
Effect of foreign exchange rate changes, net		**(59)**	6
Cash and cash equivalents at the end of the year	21	**14,483**	10,570

1. Corporate and group information

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

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

The Company acts as an investment holding company. The principal activities of the Company's major subsidiaries are set out in note 46. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

2.1 Basis of preparation

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (that is existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

2.1 Basis of preparation – continued

Basis of consolidation – continued

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

2.2 Changes in accounting policies and disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3 *Business Combinations*	*Definition of a Business*
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*	*Interest Rate Benchmark Reform*
Amendment to IFRS 16 *Leases*	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Definition of Material*

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

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 *Business Combinations* clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2. Changes in accounting policies and disclosures – continued

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020. The amendment did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 Issued but not yet effective IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 *Insurance Contracts* and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17 *Insurance Contracts*	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16 *Property, Plant and Equipment*	*Property and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS 2018-2020	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2] *Agriculture*

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

2.3 Issued but not yet effective IFRSs – continued

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in foreign currencies based on the Hong Kong Interbank Offered Rate ("HIBOR") and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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

2.3 Issued but not yet effective IFRSs – continued

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

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

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

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

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

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

3. Material accounting policies

Fair value measurement

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

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

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

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

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

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

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

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

Business combinations

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

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

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

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

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

3. Material accounting policies – continued

Related parties

A party is related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment" below. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its carrying amount is recognised in the statement of profit or loss.

3. Material accounting policies – continued

Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the shorter of the term of the lease, or 50 years
Hotel properties	Over the shorter of the term of the lease, or 50 years
Furniture, fixtures, equipment and motor vehicles	20% to 33 1/3%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Properties under development for sale

Properties under development for sale which are intended to be sold upon completion of development are classified as current assets. 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.

3. Material accounting policies – continued

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

3. Material accounting policies – continued

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Rent and other trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue from Contracts with Customers in accordance with the policies set out for "*Revenues from contracts with customers*" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("FVTOCI"), it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss ("FVTPL"), irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTOCI (debt instruments)

For debt investments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

3. Material accounting policies – continued

Financial instruments – continued

Financial Assets – continued

Financial assets designated at FVTOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as investments designated at FVTOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at FVTOCI are not subject to impairment assessment.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. Material accounting policies – continued

Financial instruments – continued

Financial Assets – continued

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For rent and other trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For a rental receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the rental receivable in accordance with IFRS 16.

3. Material accounting policies – continued

Financial instruments – continued

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payable, amount due to a joint venture, loans from/amounts due to associates, amounts due to related companies, loans from a non-controlling shareholder 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.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. After initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

3. Material accounting policies – continued

Financial instruments – continued

Financial liabilities – continued

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

3. Material accounting policies – continued

Derivative financial instruments and hedge accounting – continued

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

3. Material accounting policies – continued

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 50 years
Premises	2.5 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties under development for sales or properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development for sales" or "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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

3. Material accounting policies – continued

Leases – continued

Group as a lessee – continued

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Effective from 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.

3. Material accounting policies – continued

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same tax authority.

3. Material accounting policies – continued

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of certain overseas subsidiaries is HKD. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of "Exchange reserve" (attributed to non-controlling interests as appropriate). On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of the closing date.

Equity-settled share-based payment transactions

Share options granted to employees (including directors of the Company)

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, such that the cumulative expenses reflects the revised estimates, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

3. Material accounting policies – continued

Equity-settled share-based payment transactions – continued

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. Material accounting policies – continued

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue from lease

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

3. Material accounting policies – continued

Revenue recognition – continued

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Bank balances and cash

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, bank balances and cash comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

4. Material accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition from sales of properties at a point in time

Control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to properties create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group. Accordingly, the sales of properties is considered to be performance obligation satisfied at a point in time.

4. Material accounting judgements and estimates – continued

Judgements – continued

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 2020, the carrying amount of the Perpetual Capital Securities is RMB4,062 million (2019: RMB4,056 million). In June 2020, the Group redeemed the Convertible Perpetual Capital Securities (2019: RMB1,345 million).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value measurements and valuation processes

The Group's certain assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of the reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed in notes 13, 33, 42(c) and 43.

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

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 net impairment loss amounting to RMB226 million during the year ended 31 December 2020 (2019: a reversal of impairment of RMB9 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	
	2020 RMB'million	2019 RMB'million
Property development:		
Property sales	**1,448**	7,176
Property management fee income	**89**	86
	1,537	7,262
Property investment:		
Income from hotel operations	**54**	94
Property management fee income	**200**	223
	254	317
Construction	**691**	538
Others	**231**	247
	2,713	8,364
Geographical markets		
Shanghai	**1,452**	6,389
Foshan	**1,117**	1,700
Wuhan	**39**	51
Chongqing	**96**	223
Nanjing	**9**	1
	2,713	8,364
Timing of revenue recognition		
A point in time	**1,448**	7,176
Over time	**1,265**	1,188
	2,713	8,364

The following table shows the amounts of revenue recognised in the current reporting year that were included in the contract liabilities at the beginning of the reporting year:

	2020 RMB'million	2019 RMB'million
Revenue recognised that was included in contract liabilities at the beginning of the reporting year:		
Sale of properties	**213**	4,899
	213	4,899

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 2020

	RMB'million
Property development:	
Property sales	1,448
Property management fee income	89
	1,537
Property investment:	
Income from hotel operations	54
Property management fee income	200
	254
Construction	691
Others	231
Revenue from contracts with customers	2,713
Rental income from investment properties (Note) (property investment segment)	1,674
Rental related income (property investment segment)	210
	4,597

Note:

	Year ended 31 December 2020 RMB'million
For operating leases:	
Lease payment that are fixed	1,607
Variable lease payments that do not depend on an index or a rate	67
	1,674

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

For the year ended 31 December 2019

	RMB'million
Property development:	
Property sales	7,176
Property management fee income	86
	7,262
Property investment:	
Income from hotel operations	94
Property management fee income	223
	317
Construction	538
Others	247
Revenue from contracts with customers	8,364
Rental income from investment properties (Note) (property investment segment)	1,814
Rental related income (property investment segment)	214
	10,392

Note:

	Year ended 31 December 2019 RMB'million
For operating leases:	
Lease payment that are fixed	1,728
Variable lease payments that do not depend on an index or a rate	86
	1,814

Property sales

Revenue from sales of residential properties is recognised at a point in time when the completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 30%–100% of the contract value as deposits from customers or receipts in advance from customers upon signing the sale and purchase agreement for sales of properties. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period.

Construction services

The Group provides building construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input or output method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically achieves specified milestones and thus has the right to bill the customers when the progress certificate, settlement letter or payment notice is obtained.

5. Revenue and segmental information – continued

Property management services

Revenue from property management services is recognised over time, and the progress measured using the output method. The property management service fees are billed to the clients periodically (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.

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 2020 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'million	**Construction contracts RMB'million**
Within one year	**12,752**	**277**
More than one year but not more than two years	**155**	**55**
More than two years	**–**	**229**
	12,907	**561**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of 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

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 Company consider that the various operating segments under property development; property investment and construction segments are aggregated for financial reporting purposes because those segments have similar characteristics in terms of production process, class of customers and distribution method and are under similar economic conditions and subject to similar regulatory policies.

5. Revenue and segmental information – continued

For the year ended 31 December 2020

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
Segment revenue of the Group	1,537	2,138	691	4,366	231	4,597
SEGMENT RESULTS						
Segment results of the Group	185	(802)	–	(617)	111	(506)
Interest income						281
Share of results of associates and joint ventures						328
Finance costs, inclusive of exchange differences						(215)
Other gains and losses						(2)
Reversal of impairment losses under expected credit loss model						21
Unallocated income						17
Unallocated expenses						(339)
Loss before tax						(415)
Tax						182
Loss for the year						(233)
OTHER INFORMATION						
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions of completed investment properties and property and equipment	110	101	–	211	–	211
Capital additions of right-of-use assets	–	1	–	1	12	13
Development costs for investment properties under construction or development	–	1,003	–	1,003	–	1,003
Depreciation of property and equipment	48	50	–	98	–	98
Depreciation of right-of-use assets	22	2	–	24	9	33
Decrease in fair value of investment properties	–	1,786	–	1,786	–	1,786
FINANCIAL POSITION						
ASSETS						
Segment assets	23,572	52,560	344	76,476	44	76,520
Interests in associates						7,828
Interests in joint ventures						11,973
Loans to/amounts due from joint ventures						20
Loans to/amounts due from associates						196
Amounts due from related companies						440
Unallocated corporate assets						18,498
Consolidated total assets						115,475
LIABILITIES						
Segment liabilities	17,904	837	619	19,360	134	19,494
Unallocated corporate liabilities						49,248
Consolidated total liabilities						68,742

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						
Segment revenue of the Group	7,262	2,345	538	10,145	247	10,392
SEGMENT RESULTS						
Segment results of the Group	3,341	1,521	3	4,865	59	4,924
Interest income						488
Share of results 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 tax						3,855
Tax						(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 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 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

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, directors' salaries, interest income, share of results of associates and joint ventures, reversal of impairment losses under expected credit loss model, finance costs inclusive of exchange differences and other unallocated income/expense. This is the measure reported for resource allocation and performance assessment.

For monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in joint ventures, loans to/amounts due from associates , loans to/amounts due from joint ventures, amounts due from related companies, deferred tax assets, derivative financial instruments, pledged bank deposits, bank balances and cash, prepaid taxes and other unallocated corporate assets; and

- all liabilities are allocated to reportable segments other than receipts under securitisation arrangements, loans from/amounts due to associates, liability arising from a rental guarantee arrangement, lease liabilities, amount due to a joint venture, amounts due to related companies, loans from/amounts due to non-controlling shareholders 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 2020, there were no revenues from transactions with a single external customer that account for 10% or more of the revenue of the Group in respect of the property development segment.

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.

6. Other income, other gains and losses

	2020 RMB'million	2019 RMB'million
Other income		
Interest income from banks	**194**	324
Interest income from loans to associates (note 40)	**10**	56
Interest income from loans to joint ventures (note 40)	**77**	108
Grants received from local government	**30**	28
Others	**–**	20
	311	536
Other gains and losses		
Payable for relocation costs written back	**441**	–
Impairment loss on investment properties under development at cost	**(225)**	–
Impairment loss on properties under development for sale	**(227)**	–
Cost arising from hedging activities	**(95)**	(150)
Loss from fair value change of derivative financial instruments	**(154)**	–
Loss from fair value change of liability arising from a rental guarantee arrangement	**(79)**	–
Premium for tender and exchange of senior notes	**(69)**	–
Impairment loss on property and equipment	**(21)**	–
Gain on disposal of investment properties	**–**	22
Others	**(25)**	(22)
	(454)	(150)

7. Finance costs, inclusive of exchange differences

	2020 RMB'million	2019 RMB'million
Interest on bank borrowings	**1,350**	1,640
Interest on senior notes (note 30)	**829**	640
Interest on a loan from an associate	**1**	–
Interest expenses from lease liabilities	**5**	5
Total interest costs	**2,185**	2,285
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(1,155)**	(1,033)
Interest expense charged to profit or loss	**1,030**	1,252
Net exchange (gain)/loss on bank borrowings and other financing activities	**(863)**	205
Others	**48**	40
	215	1,497

Borrowing costs capitalised during the year were calculated by applying a capitalisation rate of approximately 5.7% (2019: 5.7%) per annum to expenditure on the qualifying assets.

8. (Loss)/profit before tax

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2020 RMB'million	2019 RMB'million
Auditor's remuneration		
– audit services	**5**	6
Depreciation of property and equipment	**98**	90
Depreciation of right-of-use assets	**33**	29
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and other benefits	**26**	27
	28	29
Other staff costs		
Salaries, bonuses and other benefits	**798**	755
Retirement benefits costs	**19**	41
	817	796
Total employee benefits expenses	**845**	825
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(99)**	(65)
	746	760
(Reversal)/provision of impairment losses		
Receivables	**(21)**	1
Receivables from disposal of a subsidiary	**–**	(180)
	(21)	(179)
Cost of properties sold recognised as an expense	**851**	3,692
Reversal of impairment on properties held for sale (included in "cost of sales")	**(1)**	(9)
Lease payments relating to short-term leases and low-value leases	**6**	23

9. Tax

	2020 RMB'million	2019 RMB'million
PRC enterprise income tax ("EIT")		
– Charge for the year	**68**	781
PRC withholding tax		
– Charge for the year	**10**	87
PRC land appreciation tax ("LAT")		
– Charge for the year	**225**	713
Deferred tax (note 34)		
– Credit for the year	**(485)**	(271)
	(182)	1,310

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 EIT has been provided for at the applicable income tax rate of 25% on the assessable profits of the companies in the Group during the years.

The PRC EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, and at rate of 10% (5% if obtained the Hong Kong residents) for companies incorporated in BVI and Republic of Mauritius ("Mauritius"), which are the beneficial owners of the dividend received. As at 31 December 2020 and 31 December 2019, deferred tax was provided for in respect of the temporary differences attributable to such profits, except to the extent that the Group is able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences would not be reversed in the foreseeable future.

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

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

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

	2020 RMB'million	2019 RMB'million
(Loss)/profit before tax	**(415)**	3,855
PRC EIT at 25%	**(104)**	964
PRC LAT	**225**	713
Tax effect of PRC LAT	**(56)**	(178)
Net effect of withholding tax at 5% on the distributable profit of the Group's PRC subsidiaries	**120**	(42)
Tax effect of share of results of associates and joint ventures	**(82)**	(49)
Expenses not deductible for tax	**248**	493
Income not subject to tax	**(20)**	(11)
Tax losses not recognised	**43**	44
Utilisation of tax losses previously not recognised	**–**	(7)
Tax effect on disposals of subsidiaries (note)	**–**	(267)
Effect of tax rate charged on deferred tax	**(556)**	(350)
Tax (credit)/charge for the year	**(182)**	1,310

Note: EIT on disposals of subsidiaries is calculated at 10% of the difference between consideration and the deductible costs of the relevant subsidiary established 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	Salaries	Other benefits	Performance related incentive payments-cash bonus	Retirement benefit cost	Share-based payment expenses	2020 Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–
Mr. Douglas H.H. SUNG	(b)	–	6,005	6,082	5,771	–	14	17,872
Ms. Stephanie B.Y.LO	(c)	–	5,141	9	2,826	220	14	8,210
Mr. Frankie Y.L. WONG	(d)	130	–	–	–	–	–	130
Sir John R.H. BOND	(e)	355	–	–	–	–	–	355
Professor Gary C. BIDDLE	(e)	533	–	–	–	–	–	533
Dr. Roger L. McCARTHY	(e)	355	–	–	–	–	–	355
Mr. David J. SHAW	(e)	355	–	–	–	–	–	355
Mr. Anthony John Liddell NIGHTINGALE	(e)	452	–	–	–	–	–	452
Total for year 2020		2,180	11,146	6,091	8,597	220	28	28,262

Name of Director	Notes	Fees	Salaries	Other benefits	Performance related incentive payments-cash bonus	Retirement benefit cost	Share-based payment expenses	2019 Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–
Mr. Douglas H.H. SUNG	(b)	–	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 year 2019		2,365	11,904	6,619	7,671	195	52	28,806

Notes:
(a) An executive director and the chairman of the Company
(b) An executive director, managing director of the Company, chief financial officer and chief investment officer
(c) An executive director and managing director of the Company
(d) Mr. Frankie Y.L. WONG retired from office and cease to be non-executive director effective from 27 May 2020.
(e) Independent non-executive directors of the Company
(f) 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 two directors (2019: one director), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2019: four) highest paid employees who are not a director of the Company are as follows:

	2020 RMB'million	2019 RMB'million
Salaries	**15**	17
Other benefits	**2**	3
Performance related incentive payments	**9**	11
Retirement benefit costs	**–**	–
	26	31

The emoluments of the remaining highest paid employees were within the following bands:

	2020 Number of employees	2019 Number of employees
Emolument bands		
HKD6,500,001 – HKD7,000,000	**–**	1
HKD7,000,001 – HKD7,500,000	**–**	2
HKD7,500,001 – HKD8,000,000	**1**	–
HKD8,500,001 – HKD9,000,000	**1**	–
HKD13,000,001 – HKD13,500,000	**1**	–
HKD13,500,001 – HKD14,000,000	**–**	1
	3	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

	2020 RMB'million	2019 RMB'million
Dividends recognised as distribution during the year:		
No interim dividend in 2020 (2019: interim dividend paid in respect of 2019 of HKD0.036 per share)	**–**	263
Final dividend paid in respect of 2019 of HKD0.084 per share (2019: final dividend paid in respect of 2018 of HKD0.084 per share)	**623**	595
	623	858

Having taken into consideration the Group's financial performance during the year and the ongoing uncertainties regarding COVID-19, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HKD0.084 per share).

12. (Loss)/earnings per share

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

	2020 RMB'million	2019 RMB'million
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/ earnings per share, being (loss)/ profit for the year attributable to shareholders of the Company	**(740)**	1,932
Effect of dilutive potential ordinary shares: Adjustment for convertible perpetual capital securities	**–**	116
(Loss)/earnings for the purpose of diluted (loss)/ earnings per share	**(740)**	2,048

	2020 million	2019 million
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (note (a))	**8,044**	8,044
Effect of dilutive potential ordinary shares: Convertible perpetual capital securities(note(c))	**–**	676
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,044**	8,720
Basic (loss)/ earnings per share (note (b))	**RMB(9.2) cents**	RMB24.0 cents
	HKD(10.4) cents	HKD27.3 cents
Diluted (loss)/ earnings per share (note (b))	**RMB(9.2) cents**	RMB23.5 cents
	HKD(10.4) cents	HKD26.7 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 (2019: 17,710,250) shares held by a share award scheme trust as set out in note 37.
(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 HKD1.125 for 2020 and RMB1.000 to HKD1.136 for 2019, 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 2020 and 2019, and the effect for convertible perpetual capital securities was anti-dilutive for the year ended 31 December 2020.

13. Investment properties

	Completed investment properties RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Investment property – sublease of right-of-use assets RMB'million	Total RMB'million
On 1 January 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 development 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 (a))	–	1,860	–	–	1,860
On 31 December 2019	42,888	2,915	5,997	113	51,913
On 31 December 2019					
– Stated at fair value	42,888	2,915	–	113	45,916
– Stated at cost	–	–	5,997	–	5,997
On 1 January 2020	**42,888**	**2,915**	**5,997**	**113**	**51,913**
Additions	**102**	**902**	**101**	**–**	**1,105**
Transfer upon completion	**1,108**	**(1,108)**	**–**	**–**	**–**
Transfer upon development commenced	**–**	**4,328**	**(4,328)**	**–**	**–**
Transfer to property and equipment (note 14)	**(232)**	**–**	**–**	**–**	**(232)**
Transfer from property and equipment	**52**	**–**	**–**	**–**	**52**
Decrease in fair value of the investment properties recognised in profit or loss	**(1,131)**	**(645)**	**–**	**(10)**	**(1,786)**
Acquisition of a piece of leasehold land (note(b))	**–**	**393**	**–**	**–**	**393**
Impairment	**–**	**–**	**(225)**	**–**	**(225)**
On 31 December 2020	**42,787**	**6,785**	**1,545**	**103**	**51,220**
On 31 December 2020					
– Stated at fair value	**42,787**	**6,785**	**–**	**103**	**49,675**
– Stated at cost	**–**	**–**	**1,545**	**–**	**1,545**

Notes:
(a) In November 2019, the Group acquired a commercial site located in Hong Shou Fang in Putuo District of Shanghai, the PRC.
(b) In May 2020, the Group acquired a commercial site located in Pan Long in Qingpu District of Shanghai, the PRC.

13. Investment properties – continued

The Group is in the process of obtaining land use rights certificates in respect of investment properties under construction or development with the aggregate amount of RMB2,325 million (2019: RMB3,754 million). The Group made an impairment provision of RMB225 million (2019: nil) with respect to a land without land use right certificate during the reporting year. For the remaining carrying value, 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 2020 and 31 December 2019, 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 2020 and 31 December 2019 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 RMB30,705 million (2019: RMB29,481 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 7.75% (2019: 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 RMB17.8 (2019: from RMB3.0 to RMB22.0) 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 RMB6,414 million (2019: RMB7,180 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 5.25% to 6.5% (2019: 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 RMB5.3 to RMB6.7 (2019: from RMB5.0 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 RMB4,122 million (2019: RMB4,445 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% (2019: from 4.5% to 5.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average ranging from RMB2.0 to RMB5.0 (2019: from RMB2.1 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.
Completed investment properties located in Chongqing with an aggregate carrying amount of RMB1,546 million (2019: RMB1,782 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 4.25% to 5.5% (2019: 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 RMB1.2 to RMB2.3 (2019: from RMB1.3 to RMB2.3) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.

13. Investment properties – continued

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Investment properties under construction or development that are measured at fair value					
Investment properties under construction or development located in Shanghai with an aggregate carrying amount of RMB2,456 million (2019: RMB2,915 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value;	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB4,711 million (2019: RMB4,450 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
Investment properties under construction or development located in Foshan with an aggregate carrying amount of RMB4,329 million (2019: nil)	Level 3	Market-based Approach The key inputs are: (1) Gross development value;	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB12,406 million.	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.

There were no transfers in or out of Level 3 during both years.

At 31 December 2020, the Group's investment properties with a total carrying amount of RMB31,592 million (2019: RMB30,079 million) were pledged to secure banking facilities granted to the Group (note 38).

14. Property and equipment

	Land and buildings RMB'million	Hotel properties RMB'million	Hotels under development RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
AT COST					
On 1 January 2019	845	636	51	506	2,038
Additions	6	–	–	58	64
Disposals	–	–	–	(32)	(32)
On 31 December 2019 and 1 January 2020	851	636	51	532	2,070
Additions	**–**	**(1)**	**–**	**110**	**109**
Transfer from completed investment properties (note 13)	**232**	**–**	**–**	**–**	**232**
Transfer to completed investment properties (note 13)	**(60)**	**–**	**–**	**–**	**(60)**
Disposals	**(3)**	**–**	**–**	**(21)**	**(24)**
On 31 December 2020	**1,020**	**635**	**51**	**621**	**2,327**
ACCUMULATED DEPRECIATION					
On 1 January 2019	206	261	–	491	958
Charge for the year	26	28	–	36	90
Disposals	–	–	–	(31)	(31)
On 31 December 2019 and 1 January 2020	232	289	–	496	1,017
Charge for the year	**29**	**21**	**–**	**48**	**98**
Transfer to completed investment properties (note 13)	**(28)**	**–**	**–**	**–**	**(28)**
Impairment loss recognised	**21**	**–**	**–**	**–**	**21**
Disposals	**–**	**–**	**–**	**(16)**	**(16)**
On 31 December 2020	**254**	**310**	**–**	**528**	**1,092**
CARRYING VALUES					
On 31 December 2020	**766**	**325**	**51**	**93**	**1,235**
On 31 December 2019	619	347	51	36	1,053

14. Property and equipment – continued

The carrying amounts of owner-occupied leasehold land and buildings of RMB715 million (2019: RMB527 million) and hotel properties of RMB325 million (2019: RMB347 million) at the end of the reporting year included both the leasehold land and building elements in property and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably. The land portions of the remaining owner-occupied properties were included in right-of-use assets.

During the year ended 31 December 2020, the directors of the Company conducted an impairment review on the property and equipment and impairment loss of RMB21 million was recognised for the year ended 31 December 2020 (2019: nil).

15. Leases

The Group as a lessee

RIGHT-OF-USE ASSETS	Leasehold lands RMB'million	Leased properties RMB'million	Total RMB'million
On 1 January 2019	31	28	59
Depreciation charge	(2)	(27)	(29)
Additions	12	54	66
On 31 December 2019 and 1 January 2020	41	55	96
Depreciation charge	**(1)**	**(32)**	**(33)**
Additions	**–**	**13**	**13**
On 31 December 2020	**40**	**36**	**76**

The Group leases various premises for its operations. Lease contracts are entered into for fixed term of 30 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 RMB32 million are recognised with related leased properties as at 31 December 2020. 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 2020, 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 .

15. Leases – continued

The Group as a lessor

Property rental income in respect of the investment properties earned of RMB1,674 million (2019: RMB1,814 million). The investment properties held have committed tenants for the next one to fifteen years at fixed rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2020 amounting to RMB67 million (2019: RMB86 million). These contingent rentals are generally based on specified percentages of revenue of the tenants. The terms of the leases generally require the tenants to pay security deposits.

At 31 December 2020 and 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'million	2019 RMB'million
Within one year	**1,716**	1,689
After one year but within two years	**1,223**	1,236
After two years but within three years	**769**	695
After three years but within four years	**442**	340
After four years but within five years	**281**	161
After five years	**494**	204
	4,925	4,325

16. Properties under development for sale

	2020 RMB'million	2019 RMB'million
At beginning of the year	**17,855**	11,927
Additions	**4,391**	6,093
Transfer to properties held for sale	**(772)**	(165)
Impairment	**(227)**	–
At end of the year	**21,247**	17,855

Included in the properties under development for sale as at 31 December 2020 is carrying value of RMB7,744 million (2019: RMB16,885 million) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting year.

he Group is in the process of obtaining land use rights certificates in respect of properties under development for sale with the aggregate amount of RMB441 million (2019: RMB4,741 million). The Group made an impairment provision of RMB227 million (2019: nil) with respect to a land without land use right certificate during the reporting year. For the remaining carrying value, 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.

At 31 December 2020, the Group's properties under development for sale with a total carrying amount of RMB10,522 million (2019: RMB7,108 million) were pledged to secure banking facilities granted to the Group (note 38).

17. Interests in associates/loans to/amounts due from associates

	2020 **RMB'million**	2019 RMB'million
Interests in associates		
– Cost of investments, unlisted	**7,594**	7,554
– Share of post-acquisition results, net of effect on elimination of unrealised intercompanies transactions	**244**	(84)
– Share of other comprehensive loss of an associate	**(10)**	–
	7,828	7,470
Loans to an associate – current		
– Unsecured, interest bearing and repayable within one year from the end of the reporting year	**–**	450
Amounts due from associates – current		
– Interest free (Note (a))	**196**	328
	196	778

Note:
(a) The amounts due from associates as of 31 December 2019 and 31 December 2020 are unsecured, interest free and repayable on demand.

Particulars of the Group's associates as at 31 December 2020 and 31 December 2019 are as follows:

Name of associate	Proportion of voting rights held by the Group		Proportion of nominal value of issued ordinary share capital/registered capital held by the Group		Place of incorporation/registration and operations	Principal activities
	2020	2019	**2020**	2019		
Colour Bridge Development Holdings Limited ("Colour Bridge")	**49.5%**	49.5%	**49.5%**	49.5%	BVI	Investment holding
重慶瑞安天地房地產發展有限公司(Chongqing Shui On Tiandi Real Estate Development Company Limited) ("Chongqing Shui On Tiandi")	**20%**	20%	**19.8%**	19.8%	PRC	Property development and other activities
Top Fountain Limited ("Top Fountain")	**45%**	45%	**45%**	45%	BVI	Investment holding

17. Interests in associates/loans to/amounts due from associates – continued

The summarised consolidated financial information of Colour Bridge for the years ended 31 December 2020 and 31 December 2019 is set out below:

	2020 RMB'million	2019 RMB'million
Current assets	**18,724**	19,517
Non-current assets	**164**	33
Current liabilities	**9,191**	10,394
Non-current liabilities	**–**	6
Net assets	**9,697**	9,150
Revenue	**7,125**	–
Profit/(loss) and total comprehensive income/(expenses) for the year	**547**	(43)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Colour Bridge recognised in the consolidated financial statements:

	2020 RMB'million	2019 RMB'million
Net assets of Colour Bridge	**9,697**	9,150
Less: Non-controlling interests of Colour Bridge	**(31)**	(14)
Equity attributable to shareholders of Colour Bridge	**9,666**	9,136
Proportion of the Group's ownership interests in Colour Bridge	**50%**	50%
Group's share of net assets in Colour Bridge	**4,833**	4,568
Less: Elimination of unrealised intercompanies transactions	**(62)**	(81)
Carrying amount of the Group's interests in Colour Bridge	**4,771**	4,487

The summarised consolidated financial information of Chongqing Shui On Tiandi for the years ended 31 December 2020 and 31 December 2019 is set out below:

	2020 RMB'million	2019 RMB'million
Current assets	**11,688**	11,862
Non-current assets	**2**	16
Current liabilities	**5,874**	6,365
Non-current liabilities	**–**	–
Net assets	**5,816**	5,513
Revenue	**1,569**	3,501
Profit and total comprehensive income for the year	**303**	283

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 Chongqing Shui On Tiandi recognised in the consolidated financial statements:

	2020 RMB'million	2019 RMB'million
Net assets of Chongqing Shui On Tiandi	**5,816**	5,513
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	**1,152**	1,092

The summarised consolidated financial information of Top Fountain Limited for the years ended 31 December 2020 and 31 December 2019 is set out below

	2020 RMB'million	2019 RMB'million
Current assets	**234**	56
Non-current assets	**6,608**	6,860
Current liabilities	**126**	127
Non-current liabilities	**2,546**	2,657
Net assets	**4,170**	4,132
Revenue	**275**	143
(Loss)/profit and total comprehensive (expense)/income for the year	**(52)**	111

Reconciliation of the above summarised financial information to the carrying amount of the interests in Top Fountain recognised in the consolidated financial statements:

	2020 RMB'million	2019 RMB'million
Net assets of Top Fountain	**4,170**	4,132
Less:		
Non-controlling interests pertaining to Top Fountain	**(37)**	(36)
Equity attributable to shareholders of Top Fountain	**4,133**	4,096
Proportion of the Group's ownership interest in Top Fountain	**45%**	45%
Group's share of net assets in Top Fountain	**1,860**	1,843
Other adjustment	**45**	48
Carrying amount of the Group's interest in Top Fountain	**1,905**	1,891

18. Interests in joint ventures/loans to/amounts due from joint ventures

	2020 RMB'million	2019 RMB'million
Investment in joint ventures		
– Cost of investment, unlisted	**8,727**	8,732
– Impairment provision	**(376)**	(376)
– Share of post-acquisition results, net of effect on elimination of unrealised intercompanies transactions	**198**	214
– Share of other comprehensive income/(expense) of a joint venture	**40**	(15)
	8,589	8,555
Loans to joint ventures – non-current		
– Unsecured, interest bearing at 110% of People's Bank of China ("PBOC") prescribed interest rate (Note (a))	**1,930**	1,706
Amounts due from joint ventures – non-current		
– Unsecured, interest free (Note (b))	**1,454**	847
	11,973	11,108
Amounts due from joint ventures-current		
– Unsecured, interest-free and repayable on demand	**20**	45
	20	45

Notes:
(a) RMB1,780 million is repayable based on the dates set out on the drawdown notice of capital call and RMB150 million is repayable in 2 years from the end of the reporting year.
(b) In the opinion of the directors, these amounts are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

Particulars of the Group's joint ventures as at 31 December 2020 and 31 December 2019 are as follows:

Name of joint venture	Proportion of voting rights held by the Group 2020	Proportion of voting rights held by the Group 2019	Proportion of nominal value of issued ordinary share capital/registered capital held by the Group 2020	Proportion of nominal value of issued ordinary share capital/registered capital held by the Group 2019	Place of incorporation/registration and operations	Principal activities
Commercial Properties Business (Note (a))	**50%**	50%	**49.5%**	49.5%	PRC	Property development and other activities
上海瑞永景房地產開發有限公司 ("Shanghai Rui Yong Jing")# (Note (b))	**29%**	29%	**25%**	25%	PRC	Property development and other activities
Hua Xia Rising (Hong Kong) Limited	**50%**	50%	**50%**	50%	Hong Kong	Investment holding
上海景綽企業發展有限公司 ("Shanghai Jingchuo")# (Note (c))	**49%**	49%	**49%**	49%	PRC	Property management and other activities
大連億達德基裝飾工程有限公司("Dalian Yida PD")# (Note(d))	**–**	50%	**–**	50%	PRC	Provision of decoration services
Great Market Limited (Note (e))	**60%**	60%	**58%**	58%	Hong Kong	Investment holding
Sino Profit Development Limited (Note (f))	**50%**	–	**50%**	–	Hong Kong	Investment holding

18. Interests in joint ventures/loans to/amounts due from joint ventures – continued

Notes:

(a) The Group has interest in Commercial Properties Business which is principally engaged in property development and management of commercial units in Shanghai.

(b) In 2018, pursuant to joint venture agreement, the Group through a wholly owned subsidiary established Shanghai Rui Yong Jing with strategic partners for carrying out property development project in Shanghai, the PRC.
Pursuant to joint venture agreement, the Group and the other equity owners (the "JV Partners 2", 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) Pursuant to the joint venture agreement and articles of association of Shanghai Jingchuo, the Group, through a wholly owned subsidiary, and the other equity owners (the "JV Partners 3", 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 3.

(d) On 28 June 2020, the Group, through a wholly owned subsidiary, entered into an agreement with the joint venture partner of Dalian Yida PD to dispose of its 50% equity interest in Dalian Yida PD. Dalian Yida PD is no longer a joint venture of the Group.

(e) On 14 May 2019, the Group entered into an agreement with Shui On Building Materials Limited (an indirect wholly-owned subsidiary of SOCAM Development Limited ("SOCAM"), in relation to the sale and purchase of 58% of the issued share capital of Great Market Limited and the assignment of the sale shareholder loan for a total consideration of RMB148 million. 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 4").

(f) On 22 December 2020, the Group, through a wholly owned subsidiary, entered into an agreement with an independent third party (the "JV Partner 5") in relation to the formation of Sino Profit Development Limited ("Sino Profit"). Pursuant to the joint venture agreement, the Group and the JV Partner 5 are considered to have joint control over Sino Profit as major decisions require the approval of all directors from the Group and the JV Partner 5.

English name is for identification only

Summarised financial information of material joint ventures:

Summarised financial information in respect of the Group's material joint ventures, Commercial Properties Business and Shanghai Rui Yong Jing is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

18. Interests in joint ventures/loans to/amounts due from joint ventures – continued

Interests pertaining to Commercial Properties Business:

	2020 RMB'million	2019 RMB'million
Current assets	**132**	165
Non-current assets	**14,112**	12,124
Current liabilities	**821**	483
Non-current liabilities	**4,787**	3,522

The above amounts of assets and liabilities include the following:

	2020 RMB'million	2019 RMB'million
Cash and cash equivalents	**114**	107
Current financial liabilities (excluding trade and other payables and provisions)	**37**	59
Non-current financial liabilities (excluding trade and other payables and provisions)	**4,454**	3,399

	2020 RMB'million	2019 RMB'million
Revenue	**169**	179
Profit and total comprehensive income for the year	**352**	108

The above profit for the year includes the following:

	2020 RMB'million	2019 RMB'million
Depreciation and amortisation	**5**	4
Interest income	**2**	2
Interest expense	**70**	70

Reconciliation of the above summarised financial information to the carrying amount of the interest in Commercial Properties Business recognised in the consolidated financial statements:

	2020 RMB'million	2019 RMB'million
Net assets of Commercial Properties Business	**8,636**	8,284
Proportion of the Group's ownership interest in Commercial Properties Business	**49.5%**	49.5%
Carrying amount of the Group's interest in Commercial Properties Business	**4,275**	4,100

18. Interests in joint ventures/loans to/amounts due from joint ventures – continued

Shanghai Rui Yong Jing:

	2020 RMB'million	2019 RMB'million
Current assets	**1,100**	30
Non-current assets	**17,994**	17,464
Current liabilities	**88**	–
Non-current liabilities	**2,621**	237
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**159**	19
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**2,621**	237
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(872)**	(113)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Shanghai Rui Yong Jing recognised in the consolidated financial statements:

	2020 RMB'million	2019 RMB'million
Net assets of Shanghai Rui Yong Jing	**16,385**	17,257
Proportion of the Group's ownership interest in Shanghai Rui Yong Jing	**25%**	25%
	4,096	4,314
Transaction costs capitalized	**3**	3
Carrying amount of the Group's interest in Shanghai Rui Yong Jing (note)	**4,099**	4,317

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 of 31 December 2020 and 31 December 2019.

Aggregate information of joint ventures that are not individually material:

	2020 RMB'million	2019 RMB'million
The Group's share of gain from continuing operations	**33**	163
The Group's share of other comprehensive income/(expenses)	**55**	(37)
The Group's share of total comprehensive income	**88**	126

Aggregate carrying amount of the Group's interests in these individually not material joint ventures:

	2020 RMB'million	2019 RMB'million
Investment in joint ventures	**215**	138

19. Receivables, deposits and prepayments

	2020 RMB'million	2019 RMB'million
Non-current assets comprise:		
Rental receivables in respect of rent-free periods	**275**	206
Trade receivables		
– goods and services	**60**	62
	335	268
Current assets comprise:		
Rental receivable in respect of rent-free periods	**132**	130
Trade receivables		
– goods and services	**54**	50
– operating lease receivables	**26**	24
Prepayments of relocation costs (note)	**750**	933
Receivables from disposal of associates and a joint venture	**250**	315
Receivables from disposal of subsidiaries	**500**	1,048
Other deposits, prepayments and receivables	**443**	524
Input value-added tax	**285**	140
	2,440	3,164

Note:
The balances represent the amounts that will be compensated by the government upon the relocation is completed.

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 2020 and 31 December 2019, trade receivables from contracts with customers amounted to RMB114 million and RMB112 million, respectively.

Included in the Group's receivables, deposits and prepayments are trade receivable balances of RMB140 million (2019: RMB136 million), of which 44% (2019: 48%) are not yet past due, 34% (2019: 40%) are past due less than 90 days, and 22% (2019: 12%) are past due over 90 days, as compared to when revenue was recognised.

Out of the past due balances, RMB31 million (2019: RMB 16 million) has been past due 90 days or more and is not considered as in default since the directors of the Company consider that such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customers.

Details of ECL allowance for the year ended 31 December 2020 are set out in Note 42(b).

20. Contract assets

	2020 RMB'million	2019 RMB'million
Construction	**305**	53

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 2020 are set out in Note 42(b).

21. Bank balances and cash /pledged bank deposits

	2020 RMB'million	2019 RMB'million
Bank and cash -unrestricted	**9,977**	7,662
Bank balances -restricted	**4,506**	2,908
	14,483	10,570

Restricted bank balances as at 31 December 2020 and 2019 include monies placed by the Group with banks amounting to RMB4,506 million (2019: RMB2,908 million) which can only be applied to designated property development projects of the Group.

Bank balances and restricted bank balances carry interest at market rates which range from 0.00% to 2.125% (2019: 0.00% to 2.64%) per annum.

Pledged bank deposits carry interest at fixed rates which range from 0.10% to 1.50% (2019: 0.00% to 2.025%) 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 RMB1,313 million (2019: RMB1,289 million) have been pledged to secure long-term bank borrowings and are therefore classified as non-current assets.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB13,523 million (31 December 2019: RMB10,726 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. Properties held for sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at the lower of cost or net realisable value.

23. Amounts due from/to related companies

	2020 RMB'million	2019 RMB'million
Amounts due from related companies comprise:		
Fellow subsidiaries	**440**	416
Amounts due to related companies comprise:		
Fellow subsidiaries	**377**	331

An aggregate amount of RMB8 million as at 31 December 2020 (2019: RMB26 million) included in amounts due from related companies are trade nature and with the credit period of 40 days granted by the Group, RMB8 million (2019: RMB14 million) has been past due 90 days or more and is not considered as in default since the directors of the Company consider that such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each related companies.

An aggregate amount of RMB432 million as at 31 December 2020 (2019: RMB390 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 RMB440 million (2019: RMB416 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 2020 are set out in Note 42(b).

24. Loans from/amounts due to non-controlling shareholders of subsidiaries

	2020 RMB'million	2019 RMB'million
Loans from a non-controlling shareholder of subsidiaries	**1,476**	1,715
Amounts due to non-controlling shareholders of subsidiaries	**35**	69
	1,511	1,784

As at 31 December 2020, 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

	2020 RMB'million	2019 RMB'million
Current portion comprise:		
Trade payables	**2,123**	1,349
Land and relocation cost payables	**1,604**	1,700
Retention payables (note (a))	**293**	253
Deed tax and other tax payables	**94**	168
Deposits received and receipt in advance in respect of rental of investment properties	**814**	791
Value-added tax payables	**173**	51
Value-added tax arising from contract liabilities	**879**	277
Other payables and accrued charges	**860**	975
	6,840	5,564

Note:
(a) Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.

25. Accounts payable, deposits received and accrued charges – continued

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB2,123 million (2019: RMB1,349 million), of which 83% (2019: 84%) are aged less than 30 days, 4% (2019: 1%) are aged between 31 to 60 days, and 13% (2019: 15%) are aged more than 90 days, based on invoice date.

26. Contract liabilities

	2020 RMB'million	2019 RMB'million
Sales of properties	**12,907**	3,127

Revenue of RMB213 million and RMB4,899 million was recognised during the year ended 31 December 2020 and 2019 that was included in the contract liabilities at the beginning balance of the reporting year.

The Group receives 30%–100% of the contract value as deposits from customers or receipts in advance from customers upon signing the sale and purchase agreement for sales of properties. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period. Included in the contract liabilities as at 31 December 2020 are balances of RMB155 million (2019: RMB2,906 million) which are expected to be realised after twelve months from the end of the reporting year.

27. Bank borrowings

	2020 RMB'million	2019 RMB'million
Bank borrowings repayable within a period of*:		
– Not more than 1 year or on demand	**6,976**	5,852
– More than 1 year, but not exceeding 2 years	**6,504**	7,875
– More than 2 years, but not exceeding 5 years	**4,160**	8,515
– More than 5 years	**2,643**	3,581
	20,283	25,823
Less: Amount due within one year shown under current liabilities	**(6,976)**	(5,852)
Amount due after one year	**13,307**	19,971

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2020, the Group's bank borrowings amounting to RMB11,408 million (2019: RMB15,406 million) are secured by the pledge of assets as set out in note 38.

27. Bank borrowings – continued

The carrying amounts of the Group's bank borrowings are analysed as follows:

Denominated in	Interest rate	2020 RMB'million	2019 RMB'million
RMB	Loan prime rate ("LPR") plus 3.9% to 4.7% (2019: 90% to 125% of PBOC Prescribed Interest Rate)	**9,288**	13,119
HKD	HIBOR plus 1.0% to 4.0% (2019: HIBOR plus 1.0% to 4.0%)	**2,683**	4,841
HKD	Fixed rate from 3.21% to 4.47% (2019: Nil)	**2,151**	–
USD	LIBOR plus 1.8% to 3.8% (2019: LIBOR plus 1.8% to 4.0%)	**6,161**	7,863
		20,283	25,823

As at 31 December 2020, the weighted average effective interest rate on the bank borrowings was 4.15% (2019: 5.24%), and are further analysed as follows:

	2020	2019
Denominated in RMB	**4.8%**	4.9%
Denominated in HKD	**3.6%**	6.3%
Denominated in USD	**3.5%**	5.2%

28. Share capital

	Authorised		Issued and fully paid	
	Number of shares	USD'000	Number of shares	USD'000
Ordinary shares of USD0.0025 each On 1 January 2019, 31 December 2019 and 31 December 2020	**12,000,000,000**	**30,000**	**8,062,216,324**	**20,155**

	2020 RMB'million	2019 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 include:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

29. Reserves – continued

(c) Other reserves mainly comprise: – continued

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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 "Brookfield Transaction"). The total consideration was paid in March 2019.

A debit amount of RMB381 million recognised in the year ended 31 December 2018, which represents the difference between the consideration and the decrease in the non-controlling shareholders of subsidiaries arising from the Brookfield Transaction. A credit amount of RMB7 million recognised in other reserves in the year ended 31 December 2019 due to the change in foreign exchange.

(x) A debit amount of RMB256 million recognised in the year ended 31 December 2020, which represents the exchange loss on redemption of convertible perpetual capital securities.

30. Senior notes

	2020 RMB'million	2019 RMB'million
On 1 January	**11,399**	7,424
Issue of new senior notes	**8,176**	5,417
Less: Transaction costs directly attributable to issue of senior notes	**(10)**	(7)
Interest charged during the year	**829**	640
Less: Interest paid	**(709)**	(531)
Less: Redemption of senior notes	**(2,736)**	(1,772)
Exchange realignment	**(886)**	228
On 31 December	**16,063**	11,399
Less: Amount due within one year shown under current liabilities	**(6,273)**	-
Amount due after one year	**9,790**	11,399

On 31 December 2020, the effective interest rates on the senior notes ranged from 5.50% to 7.24% (2019: 5.86% to 7.24%) per annum.

30. Senior notes – continued

Issuance of Senior Notes during the Current Year

On 3 March 2020, Shui On Development (Holding) Limited ("SODH") undertook an exchange and tender of senior notes for the February and November 2021 due senior notes. An aggregate principal amount of USD490 million senior notes ("2025 USD490 Million Notes") was issued by SODH to independent third parties with a maturity of five years due on 3 March 2025, bearing coupon at 5.5% per annum, payable semi-annually in arrears. Senior notes of total of USD392 million maturing in 2021 were tendered or exchanged for new senior notes.

On 24 August 2020, SODH issued USD500 million senior notes ("2024 USD500 Million Notes") to independent third parties with a maturity of four years due on 24 August 2024, bearing coupon at 6.15% per annum, payable semi-annually in arrears.

On 2 December 2020, SODH issued USD200 million senior notes ("2023 USD200 Million Notes") to independent third parties bearing coupon at 5.75% per annum, payable semi-annually in arrears. The new notes will be fully consolidated and form a single series with the USD300 million senior notes issued on 12 November 2019.

Principal Terms of 2025 USD490 Million Notes

The 2025 USD490 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 2025 USD490 Million Notes;

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

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

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

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SODH.

At any time and from time to time on or after 3 March 2023, SODH may at its option redeem the 2025 USD490 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, up to (but not including) the redemption date if redeemed during the twelve month period beginning on 3 March of each of the years indicated below.

Period	Redemption Price
2023	102.75%
2024 and thereafter	101.375%

At any time prior to 3 March 2023, SODH may at its option redeem the 2025 USD490 Million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see the definition below) as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time and from time to time prior to 3 March 2023, SODH may redeem up to 35% of the aggregate principal amount of the 2025 USD490 Million Notes with the net cash proceeds of one or more sales of shares of the Company in an equity offering at a redemption price of 105.50% of the principal amount of the 2025 USD490 Million Notes, plus accrued and unpaid interest, if any, up to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2025 USD490 Million Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

In the opinion of the directors of the Company, the option to early redeem was closely related to the 2025 USD490 Million Notes.

30. Senior notes – continued

Principal Terms of 2025 USD490 Million Notes – continued

"Applicable Premium" means with respect to the 2025 USD490 Million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2025 USD490 Million Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2025 USD490 Million Notes through 3 March 2023 (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 2025 USD490 Million Notes redeemed on such redemption date.

Principal Terms of 2024 USD500 Million Notes

The 2024 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 2024 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 and from time to time on or after 24 August 2022, SODH may at its option redeem the 2024 USD500 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, up to (but not including) the redemption date if redeemed during the period indicated below.

Period	Redemption Price
Twelve-month period beginning on 24 August 2022	103.075%
Nine-month period beginning on 24 August 2023	101.5375%

At any time after 24 May 2024, SODH may at its option redeem the 2024 USD500 Million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 24 August 2022, SODH may at its option redeem the 2024 USD500 Million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see the definition below) as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time and from time to time prior to 24 August 2022, SODH may redeem up to 35% of the aggregate principal amount of the 2024 USD500 Million Notes with the net cash proceeds of one or more sales of shares of the Company in an equity offering at a redemption price of 106.15% of the principal amount of the 2024 USD500 Million Notes, plus accrued and unpaid interest, if any, up to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2024 USD500 Million Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

In the opinion of the directors of the Company, the option to early redeem was closely related to the 2024 USD500 Million Notes.

"Applicable Premium" means with respect to the 2024 USD500 Million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2024 USD500 Million Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2024 USD500 Million Notes through 24 August 2022 (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 2024 USD500 Million Notes redeemed on such redemption date.

30. Senior notes – continued

Principal Terms of 2023 USD200 Million Notes

The 2023 USD200 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 USD200 Million Notes;

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

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

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

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SODH.

At any time and from time to time on or after 12 November 2021, SODH may at its option redeem the 2023 USD200 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, up to (but not including) the redemption date if redeemed during the twelve-month period beginning on 12 November of each of the years indicated below.

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 USD200 Million Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see the definition below) as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time and from time to time prior to 12 November 2021, SODH may redeem up to 35% of the aggregate principal amount of the 2023 USD200 Million Notes with the net cash proceeds of one or more sales of shares of the Company in an equity offering at a redemption price of 105.75% of the principal amount of the 2023 USD200 Million Notes, plus accrued and unpaid interest, if any, up to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2023 USD200 Million Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

In the opinion of the directors of the Company, the option to early redeem was closely related to the 2023 USD200 Million Notes.

"Applicable Premium" means with respect to the 2023 USD200 Million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2023 USD200 Million Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2023 USD200 Million Notes through 12 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 2023 USD200 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 USD225 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.

Subject to the below, distributions were 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 should procure that no dividend, distribution or other payment was 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 satisfied in full all arrears of distribution and the interest thereof or it was permitted to do so by an extraordinary resolution of the holders of the CPCS.

Key terms of the CPCS

A compulsory distribution payment event happened when (i) a discretionary dividend, distribution or other payment has been paid or declared by the Company or (ii) the Company or SODH had at its discretion repurchased, redeemed or otherwise acquired any of its junior securities, preference shares or parity securities.

The CPCS could 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 HKD3.2280 (at a fixed exchange rate of HKD7.7528 to USD1) per share of the Company, subject to certain anti-dilutive adjustments. Adjustments had been made to the conversion price from HKD2.76 to HKD2.58 as a result of the dividends paid by the Company to its ordinary shareholders in June 2019 and September 2019.

The CPCS had 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.

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 would have the right to require the Company to procure the redemption of the CPCSs.

The CPCS were included in equity in the Group's consolidated financial statements as the Group did not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPCS.

Any distributions made by SODH to the holders were recognised in equity in the consolidated financial statements of the Group. The distribution amounting to RMB59 million (2019: RMB116 million) was paid during the current year. On 4 June 2020, SODH redeemed all the CPCS at the principal amount of USD225 million.

32. Perpetual capital securities

Perpetual capital securities issued in 2017

On 20 June 2017, SODH issued USD600 million (equivalent to approximately RMB4,085 million) 6.40% guaranteed perpetual capital securities ("2017 Perpetual Capital Securities") at an issue price of 100% of the principal amount. The 2017 Perpetual Capital Securities were guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH under the 2017 Perpetual Capital Securities. Distributions on the 2017 Perpetual Capital Securities are paid semi-annually in arrears in U.S. dollars on 20 June and 20 December in each year, commencing on 20 December 2017 and can be deferred at the discretion of SODH. The 2017 Perpetual Capital Securities have no fixed maturity and are redeemable at SODH's option on or after 20 June 2022 at their principal amounts together with any accrued, unpaid, or deferred distributions. While any distributions are unpaid or deferred, the Company and SODH cannot declare or pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and SODH.

33. Derivative financial instruments

	2020 RMB'million	2019 RMB'million
Currency forward contracts designated as hedging instruments	**565**	103
Currency capped forward contracts not designated as hedging instruments	**154**	–
Interest rate swaps designated as hedging instruments	**3**	–
	722	103
For the purpose of financial statement presentation:		
Current assets	**–**	103
Current liabilities	**722**	–

Currency forward contracts and interest rate swaps designated as hedging instruments

As at 31 December 2020, the Group had currency forward contracts and interest rate swaps designated as effective hedging instruments in order to minimise its exposure to foreign currency risk on its USD/HKD senior notes and bank borrowings and cash flow interest rate risk on its floating-rate HKD bank borrowings.

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	2020	2019
a) Currency forward contracts:		
Carrying amount (RMB'million)	**(565)**	103
Notional amount (original foreign currency) ('million)	**USD1,115**	USD1,260
	HKD1,050	HKD800
Maturity date	**2021/2/24-2022/1/4**	2020/2/13-2020/11/16
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB'million)	**565**	(103)
Change in value of hedged items used to determine hedge effectiveness during the year (RMB'million)	**(514)**	218
Strike rate	**USD: RMB6.6820-7.2200**	USD: RMB6.7190-7.1900
	HKD: RMB0.9188-0.9290	HKD: RMB0.8635-0.8998

33. Derivative financial instruments – continued

Currency forward contracts and interest rate swaps designated as hedging instruments – continued

The effects of applying hedge accounting on the Group's financial position and performance are as follows – continued

	2020	2019
b) Interest rate swaps:		
Carrying amount (RMB'million)	**3**	–
Notional amount (HKD'million)	**2,570**	–
Maturity date	**2022/3/19 – 2023/1/17**	–
Strike rate (fixed rate range)	**3.21% – 4.47%**	–

During the year ended 31 December 2020, the fair value loss arising from the currency forward contracts and interest rate swaps of RMB671 million was recognised in hedge reserve. An amount of RMB732 million has been released from hedge reserve to the profit or loss during the year ended 31 December 2020.

Currency capped forward contracts not designated as hedging instrument

The Group entered into various currency capped forward contract with banks to manage its exchange rate exposures.

These currency capped forward contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in fair value of non-hedging derivative amounting to RMB154 million were charged to profit or loss during the year (2019: nil).

34. 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	Revaluation of investment properties	Tax losses	Recognition of sales and related cost of sales	Withholding tax on income derived in the PRC	Others	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
On 1 January 2019	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)
On 31 December 2019 and 1 January 2020	1,597	4,169	(425)	130	22	(384)	5,109
Charge/(credit) to profit or loss	**52**	**(886)**	**(126)**	**95**	**110**	**270**	**(485)**
Transfer to current withholding tax	**–**	**–**	**–**	**–**	**(40)**	**–**	**(40)**
On 31 December 2020	**1,649**	**3,283**	**(551)**	**225**	**92**	**(114)**	**4,584**

34. Deferred tax assets/liabilities – continued

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 RMB'million	2019 RMB'million
Deferred tax assets	**(825)**	(922)
Deferred tax liabilities	**5,409**	6,031
	4,584	5,109

At the end of the reporting year, the Group has unused tax losses of RMB3,099 million (2019: RMB2,563 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB2,204 million (2019: RMB1,700 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB895 million (2019: RMB863 million) as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. The unrecognised tax losses will expire in the following years ending 31 December:

	2020 RMB'million	2019 RMB'million
2020	**–**	154
2021	**257**	257
2022	**179**	179
2023	**106**	98
2024	**180**	175
2025	**173**	–
	895	863

In the opinion of the directors, the unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associates or joint ventures in the PRC was not material.

35. Receipts under securitisation arrangements

On 27 November 2018, Foshan An Ying Property Development Co., Ltd (the "Foshan An Ying"), a wholly-owned subsidiary of the Company, issued receipts under securitisation arrangements (the "Receipts Under Securitisation Arrangements") with an aggregate principal amount of RMB770,000,000 at 100% of face value comprising (i) RMB525,000,000 with a term of fixed annual coupon rate of 6% and provide distribution semi-annually (the "Senior Tranche A Securities"), (ii) RMB240,000,000 with a term of fixed annual coupon rate of 6.5% and provide distribution semi-annually (the "Senior Tranche B&C Securities"), and (iii) RMB5,000,000 with a term of no annual coupon rate (the "Junior Tranche Securities"). The Receipts Under Securitisation Arrangements are listed on the Shanghai Stock Exchange. The net proceeds of the Receipts Under Securitisation Arrangements, after deduction of arrangement fee amounted to RMB524 million. The Senior Tranche A Securities, the Senior Tranche B&C Securities and the Junior Tranche Securities will be repaid by instalments till 23 January 2036. The Receipts Under Securitisation Arrangements are assets backed securitisation collateralised by the certain commercial assets held by Foshan An Ying and its certain future rental income.

The movement of the Receipts Under Securitisation Arrangements is set out below:

	2020 RMB'million	2019 RMB'million
On 1 January	**519**	524
Less: Repayment of principal	**(6)**	(5)
On 31 December	**513**	519
Less: Amount due within one year shown under current liabilities	**(11)**	(7)
Amount due after one year	**502**	512

36. Provident and retirement fund schemes

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was effective in 2004. The assets of the Plan are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2020 is RMB1 million (2019: RMB1 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 2020 and 31 December 2019 by Mr. Leong-Hang Choi of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost are measured using the Projected Unit Credit Method.

The Plan exposes the Group to actuarial risks such as investment risk, interest risk and salary risk.

Investment risk	The plan assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the plan investments.
Interest risk	The present value of the defined benefit plan liabilities is calculated using a discount rate determined by reference to market corporate bond yields. A decrease in the discount rate will increase the plan liabilities.
Salary risk	The present value of the defined benefit plan liabilities is calculated by reference to the future salaries of members. An increase in the salaries of members will increase the plan liabilities.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	2020	2019
Discount rate per annum	**0.3%**	1.8%
Expected rate of salary increase	**3.5%**	3.5%

The actuarial valuation showed that the market value of plan assets was RMB30 million (2019: RMB31 million) and that the actuarial value of these assets represented 86% (2019: 84%) of the benefits that had accrued to members.

36. Provident and retirement fund schemes – continued

Hong Kong – continued

The Plan – continued

Amounts recognised in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2020 RMB'million	2019 RMB'million
Service cost and components of defined benefit costs recognised in profit or loss:		
– Current service cost	**1**	1
	1	1
Remeasurement of the net defined benefit liability and components of defined benefit costs recognised in other comprehensive income:		
– Return on plan assets (excluding amounts included in net interest expense)	**(3)**	(3)
– Actuarial gains and losses arising from changes in financial assumptions	**2**	–
– Actuarial gains and losses arising from experience adjustments	**–**	–
	(1)	(3)
Total	**–**	(2)

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:

	2020 RMB'million	2019 RMB'million
Present value of funded defined benefit obligations	**35**	37
Fair value of plan assets	**(30)**	(31)
Net liabilities arising from defined benefit obligations	**5**	6

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2020 RMB'million	2019 RMB'million
On 1 January	**37**	54
Current service cost	**1**	1
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	**–**	–
Contributions from plan participants	**–**	1
Benefits paid from scheme assets	**–**	(21)
Transfer out	**(4)**	–
Exchange realignment	**(2)**	1
On 31 December	**35**	37

36. Provident and retirement fund schemes – continued

Hong Kong – continued

The Plan – continued

Movements in the present value of the plan assets in the current year were as follows:

	2020 RMB'million	2019 RMB'million
On 1 January	**31**	46
Remeasurement (loss)/gain:		
– Interest income on scheme assets	**1**	1
– Return on plan assets (excluding amounts included in net interest expense)	**3**	3
Contributions from the employer	**1**	1
Contributions from plan participants	**–**	1
Benefits paid from scheme assets	**–**	(21)
Transfer out	**(4)**	–
Exchange realignment	**(2)**	–
On 31 December	**30**	31

The major categories of plan assets at the end of the reporting year are as follows:

	2020 RMB'million	2019 RMB'million
Equities	**15**	1
Bonds and cash	**15**	30
	30	31

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 (2019: gain of RMB4 million).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected rate of salary increase. No sensitivity analysis is prepared as the financial impact arising from the changes in discount rate and expected rate of salary increase is insignificant.

The management has regularly monitored the investment strategies of the plan assets and there has been no change in the process used by the management to manage its risks from prior periods.

The average duration of the benefit obligation as at 31 December 2020 is 4.3 years (2019: 5.6 years).

The Group expects to make a contribution of RMB1 million (2019: 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 2020 amounted to RMB19 million (2019: RMB39 million).

37. 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 2020, 8,896,000 share options (2019: 13,336,162 share options) remains outstanding under the Scheme, representing 0.1% (2019: 0.2%) of the ordinary shares of the Company in issue at that date. The Scheme allows the Board of directors of the Company, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

HKD1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

The movement in the Company's share options is set out below:

		Number of options				
Date of grant	Exercise price HKD	On 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	On 31 December 2020
18 January 2012	2.41	**4,288,962**	–	–	**(4,288,962)**	–
7 July 2015	2.092	**3,425,400**	–	–	–	**3,425,400**
4 July 2016	1.98	**5,621,800**	–	–	**(151,200)**	**5,470,600**
		13,336,162	–	–	**(4,440,162)**	**8,896,000**
Categorised as:						
Directors		**874,000**	–	–	–	**874,000**
Employees		**12,462,162**	–	–	**(4,440,162)**	**8,022,000**
		13,336,162	–	–	**(4,440,162)**	**8,896,000**
Number of options exercisable		**10,075,762**				**7,728,000**

		Number of options				
Date of grant	Exercise price HKD	On 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	On 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

37. Share-based payment transactions – continued

Share option scheme – continued

The Scheme expired on 7 June 2017 and no further share options can be granted thereunder. However, the rules of the Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Scheme. All outstanding share options granted prior to the expiration of the Scheme shall continue to be valid and exercisable in accordance with the rules of the Scheme. A new share option scheme was adopted by the Company on 24 May 2017.

The vesting period and the exercisable period of the share options granted to eligible employees and directors on 4 July 2016 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	From date of grant to 29 June 2017	From 30 June 2017 to 3 July 2022
The second 1/5 of the grant:	From date of grant to 29 June 2018	From 30 June 2018 to 3 July 2022
The third 1/5 of the grant:	From date of grant to 29 June 2019	From 30 June 2019 to 3 July 2022
The fourth 1/5 of the grant:	From date of grant to 29 June 2020	From 30 June 2020 to 3 July 2022
The fifth 1/5 of the grant:	From date of grant to 29 June 2021	From 30 June 2021 to 3 July 2022

The vesting period and the exercisable period of the share options granted to eligible employees on 7 July 2015 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	From date of grant to 29 June 2016	From 30 June 2016 to 6 July 2021
The second 1/5 of the grant:	From date of grant to 29 June 2017	From 30 June 2017 to 6 July 2021
The third 1/5 of the grant:	From date of grant to 29 June 2018	From 30 June 2018 to 6 July 2021
The fourth 1/5 of the grant:	From date of grant to 29 June 2019	From 30 June 2019 to 6 July 2021
The fifth 1/5 of the grant:	From date of grant to 29 June 2020	From 30 June 2020 to 6 July 2021

The vesting period and the exercisable period of the share options granted to eligible employees 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 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 RMB209,000 (2019: RMB421,000) in the profit or loss in relation to share options granted by the Company.

During the years ended 31 December 2020 and 2019, no share options have been exercised.

37. Share-based payment transactions – continued

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.

Vesting dates	Outstanding on 1 January 2019	Movement during the year			Outstanding on 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)	–	–

As at 31 December 2020 and 2019, 17,710,250 shares are allocated at par and held by the trust for the share award schemes.

38. Pledge of assets

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

	2020 RMB'million	2019 RMB'million
Investment properties	**31,592**	30,079
Property and equipment	**112**	86
Right-of-use assets	**6**	6
Properties under development for sale	**10,522**	7,108
Receivables	**77**	37
Bank deposits	**1,313**	1,289
	43,622	38,605

39. Commitments and contingencies

(a) Capital and other commitments

At the end of the reporting year, the Group has the following commitments:

	2020 RMB'million	2019 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	**717**	676
Development costs for properties under development held for sale	**2,131**	1,576
Investment in a joint venture (Note)	**142**	–
	2,990	2,252

Note:
On 22 December 2020, the Group entered into an agreement with an independent third party to establish a joint venture company to engage in investment properties in the PRC.

(b) Contingent liabilities

(i) The Group provided guarantees of RMB1,181 million as at 31 December 2020 (31 December 2019: RMB1,152 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.

(ii) The Group provided a guarantee of RMB250 million at 31 December 2020 (31 December 2019: nil) to a third party for the fulfillment of the payment obligation of a joint venture of the Group arising from the acquisition of a project company in Nanjing. The acquisition was completed in February 2021 and then the payment obligation was fulfilled by the joint venture.

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 2020 and 31 December 2019. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

40. 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:

	2020 RMB'million	2019 RMB'million
SOCL and its subsidiaries other than those of the Group*		
Rental expense	**4**	4
Renovation expense	**2**	–
Service cost reimbursement	**4**	2
Revenue from construction services	**1**	–
*SOCAM** and its subsidiaries, being subsidiaries of SOCL**		
Revenue from construction services	**6**	60
Associates		
Revenue from construction services	**275**	365
Interest income	**10**	56
Asset management fee and lease commission fee income	**32**	23
Interest expense	**1**	–
Joint ventures		
Project management fee income	**90**	91
Interest income	**77**	108
Asset management fee income	**12**	13
Construction income	**13**	42
Rental income	**1**	1
Consulting service income	**8**	4
Non-controlling shareholders of subsidiaries		
Asset management fee expense	**8**	6
Key management personnel		
Property sales	**–**	24
Short-term benefits	**84**	70
Post-employment benefits	**1**	1
	85	71

Note:
These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

* SOCL, a private limited liability company incorporated in the BVI of its shareholder is Mr.Vincent H.S. Lo, who is also the Chairman and Executive Director of the Company.

** SOCAM, indicating SOCAM Development Limited, a subsidiary of SOCL

41. 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 35 respectively net of bank balances and cash 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 based on 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 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:

	2020 RMB'million	2019 RMB'million
Bank borrowings	**20,283**	25,823
Senior notes	**16,063**	11,399
Receipts under securitisation arrangements	**513**	519
Pledged bank deposits	**(1,313)**	(1,289)
Bank balances and cash	**(14,483)**	(10,570)
Net debt	**21,063**	25,882
Total equity	**46,733**	49,307
Net debt to total equity	**45%**	52%

42. Financial instruments

a. Categories of financial instruments

	2020 RMB'million	2019 RMB'million
Financial assets		
Derivative financial assets	**–**	103
Financial assets at amortised cost	**21,476**	17,150
Financial liabilities		
Derivative financial liabilities	**722**	–
Financial liabilities at amortised cost	**44,537**	44,679
Financial liabilities at fair value through profit or loss	**292**	382

42. Financial instruments – continued

b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, loans to associates, loans to joint ventures, receivables and prepayments of relocation costs, amounts due from associates, amounts due from related companies, amounts due from joint ventures, pledged bank deposits, bank balances and cash, accounts and other payable, amount due to a joint venture, loans from/amounts due to associates, amounts due to related companies, 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 or currency capped forward contracts.

The Group applies hedge accounting for currency forward contracts in the consolidated financial statements. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The currency capped forward contracts are not designated for hedge purposes and are measured at fair value through profit or loss.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting year are as follows:

	2020 **RMB'million**	2019 RMB'million
HKD		
Assets	**266**	536
Liabilities	**3,978**	4,156
USD		
Assets	**2,007**	598
Liabilities	**10,480**	8,368

The Group has entered into such forward contracts in relation to the foreign currency denominated monetary liabilities amounting to RMB10,475 million (equivalent to USD1,470 million and HKD1,050 million respectively) (31 December 2019: RMB9,507 million (equivalent to USD1,260 million and HKD800 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).

42. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to the currency of HKD and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the yearend 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	**2020 RMB'million**	2019 RMB'million
HKD			
Profit or loss	(i)	**177**	172
USD			
Profit or loss	(ii)	**403**	370

Notes:
(i) This is mainly attributable to the exposure outstanding on bank balances and cash and bank borrowings denominated in HKD not subject to cash flow hedges at the end of the reporting year.
(ii) This is mainly attributable to the exposure outstanding on bank balances and cash, bank borrowings and senior notes denominated in USD not subject to cash flow hedges at the end of the reporting year.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank balances and restricted bank balances (note 21) and bank borrowings (note 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 35).

The management aims at keeping bank borrowings at fixed rates at an appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the bank borrowings. The management adopts a policy of ensuring that bank borrowings of the Group at an appropriate portion are effectively hedged on a fixed rate basis, through the use of interest rate swaps.

Details of the Group's interest rate swaps entered into by the Group at the end of the reporting year are set out in notes 33.

42. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Interest rate risk – continued

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and LPR/PBOC prescribed interest rate arising from the Group's HKD, USD and RMB borrowings.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit for the year would decrease/increase by RMB77 million (2019: RMB127 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings, after taking into consideration the effects of the capitalisation of interest costs.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount in relation to financial guarantee issued by the Group as disclosed in note 39.

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), receivables and prepayments of relocation costs, other receivables (including receivables from disposal of subsidiaries and receivables from disposal of associates and a joint venture), contract assets, cash deposits with banks and amount in relation to the financial guarantees provided by the Group.

Receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances arising from sales of properties and arising from construction revenue based on provision matrix. The credit risk of rental receivables 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, prepayments of relocation costs and deposits based on historical settlement records, experience and quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

42. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Loans to related companies

The Group has loans to related parties including loans to 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 ventures. 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 is 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 12-month ECL. For the years ended 31 December 2020 and 2019, the Group assessed the ECL for loans to related companies were insignificant and thus no loss allowance was recognised.

The Group has concentration of credit risk from loans to joint ventures of RMB1,930 million (2019: RMB1,706 million), amounts due from joint ventures of RMB1,474 million (2019: RMB892 million), amounts due from related companies of RMB440 million (2019: RMB416 million), loans to associates of nil (2019: 450 million) and amounts due from associates of RMB196 million (2019: RMB328 million).

Cash deposits with banks

Cash deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions, therefore the Group's credit risk on liquid funds is limited.

Contingent liabilities in relation to the financial guarantees

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group can retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price drop significantly, which the probability is considered remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk in relation to financial guarantees from mortgage loans is largely mitigated.

For the financial guarantee of RMB250 million to a third party issued by the Group as disclosed in note 39, the transaction between a joint venture of the Company and a third party was completed in February 2021 and then the joint venture fulfilled the payment obligation. Therefore, the directors of the Company are of the view that the Group's credit risk in relation to financial guarantee from the acquisition is eliminated.

Other than concentration of credit risk on some of the loans to related parties as disclosed above, the Group does not have any other significant concentration of credit risk. Receivables consist of a large number of customers and counterparties.

42. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Receivables/ contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and financial guarantee contracts which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	**2020 Gross carrying amount RMB'million**	2019 Gross carrying amount RMB'million
Financial assets at amortised cost						
Receivables	19	N/A	Note 3	Lifetime ECL (provision matrix)	**153**	170
Loans to/amounts due from associates	17	N/A	Note 1	12-month ECL	**196**	778
Loans to/amounts due from joint ventures	18	N/A	Note 1	12-month ECL	**3,404**	2,598
Amounts due from related companies	23	N/A	Note 1	Lifetime ECL (not credit-impaired)	**440**	416
Other receivables (including receivables from disposal of subsidiaries and receivables from disposal of associates and a joint venture)	19	N/A	Note 1	Lifetime ECL (not credit-impaired)	**750**	1,363
Prepayments of relocation costs	19	N/A	Note 1	12-month ECL	**750**	–
Pledged bank deposits	21	aaa to a	N/A	12-month ECL	**1,313**	1,289
Bank balances and cash	21	aaa to a	N/A	12-month ECL	**14,483**	10,570
Other items						
Contract assets	20	N/A	Note 3	Lifetime ECL (provision matrix)	**305**	53
Financial guarantee contracts (Note 2)	39(b)	N/A	Low risk	12-month ECL	**1,431**	1,152

42. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	Not past due/No fixed repayment term	Total
	RMB'million	RMB'million	RMB'million
2020			
Loans to/amounts due from associates	**–**	**196**	**196**
Loans to/amounts due from joint ventures	**–**	**3,404**	**3,404**
Amounts due from related companies	**127**	**313**	**440**
Other receivables	**750**	**–**	**750**
Prepayments of relocation costs	**–**	**750**	**750**
	877	**4,663**	**5,540**
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

2. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts. The maximum amount that the Group guaranteed under the respective contracts was RMB1,431 million as of 31 December 2020 (2019: RMB1,152 million). At the end of the reporting period, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. The directors of the Company considered that the 12-month ECL allowance is insignificant at 31 December 2019 and 31 December 2020.
3. For receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its property sales and construction operation because these customers consist of many small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for receivables and contract assets which are assessed based on provision matrix as of 31 December 2020 within lifetime ECL (not credit-impaired).

42. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

	2020 Loss rate	2019 Loss rate	Receivables and contracts assets 2020 RMB'million	Receivables and contracts assets 2019 RMB'million
Gross carrying amount				
Current (not past due)	**0.1%**	0.1%	**368**	118
1-30 days past due	**1%**	1%	**32**	47
31-60 days past due	**2%**	2%	**8**	5
61-90 days past due	**4%**	4%	**6**	2
More than 90 days past due	**30%**	63%	**44**	51
			458	223

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 2020, the Group reversed RMB21 million impairment allowance for receivables, based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'million	Lifetime ECL (credit-impaired) RMB'million	Total RMB'million
On 1 January 2019	33	180	213
– Impairment losses recognised	1	–	1
– Impairment losses reversed	–	(180)	(180)
On 1 January 2020	**34**	**–**	**34**
– Impairment losses recognised	**7**	**–**	**7**
– Impairment losses reversed	**(28)**	**–**	**(28)**
On 31 December 2020	**13**	**–**	**13**

Changes in the loss allowance are mainly due to:

	Year ended 31 December 2020	
	Increase/(decrease) in lifetime ECL	
	Not credit-impaired RMB'million	**Credit-impaired RMB'million**
Impairment losses reversed in reporting year based on provision matrix with a gross carrying amount of RMB458 million	**(21)**	**–**

	Year ended 31 December 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	–

42. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility using of bank borrowings and senior notes. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that are settled on a net basis, undiscounted net cash outflows are presented.

Liquidity and interest risk tables

	Weighted average effective interest rate	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total undiscounted cash flows**	**Carrying amount on 31 December 2020**
	%	**RMB'million**	**RMB'million**	**RMB'million**	**RMB'million**	**RMB'million**	**RMB'million**
2020							
Non-derivative financial liabilities							
Financial liabilities included in accounts payable, deposits received and accrued charges	**–**	**4,880**	**–**	**–**	**–**	**4,880**	**4,880**
Bank borrowings	**4.2%**	**7,696**	**6,977**	**4,783**	**2,777**	**22,233**	**20,283**
Receipts under securitisation arrangements	**6.0%**	**42**	**43**	**144**	**499**	**728**	**513**
Senior notes	**6.2%**	**7,031**	**564**	**10,750**	**–**	**18,345**	**16,063**
Amounts due to related companies	**–**	**377**	**–**	**–**	**–**	**377**	**377**
Amounts due to a joint venture / associates	**–**	**811**	**–**	**–**	**–**	**811**	**811**
Amounts due to non-controlling shareholders of subsidiaries	**–**	**35**	**–**	**–**	**–**	**35**	**35**
Financial guarantee contracts (note a)	**–**	**1,431**	**–**	**–**	**–**	**1,431**	**–**
Loans from a non-controlling shareholder of subsidiaries	**–**	**1,476**	**–**	**–**	**–**	**1,476**	**1,476**
Lease liabilities	**–**	**33**	**13**	**29**	**51**	**126**	**99**
Liability arising from a rental guarantee arrangement (note b)	**–**	**175**	**252**	**–**	**–**	**427**	**292**
		23,987	**7,849**	**15,706**	**3,327**	**50,869**	**44,829**

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount on 31 December 2019
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2019							
Non-derivative financial liabilities							
Financial liabilities included in 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

42. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables – continued

Notes:

a. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

b. The amounts included above relate to the rental guarantee arrangement entered into by the Group. In respect of the compensation for the current year, the amounts above represent the actual amount. In respect of the remaining guarantee period for 2021 (2019: 2020) 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 year, 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, liability arising from a rental guarantee arrangement is measured at fair value at the end of the reporting year. 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 and currency capped forward contracts amounting to RMB719 million (2019: RMB103 million) are measured at the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's interest rate swaps amounting to RMB3 million (2019:Nil) are measured at the present value of future cash flows, estimated based on forward interest rates (from observable forward interest rates at the end of the reporting year) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

42. Financial instruments – continued

c. Fair value measurement – continued

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 are estimated based on Monte-Carlo simulation using key inputs as disclosed in note 43.

The following table presents the reconciliation of level 3 instruments for the year ended 31 December 2020 and 31 December 2019:

	Liability arising from a rental guarantee arrangement RMB'million	Call option to buy back an investment property RMB'million
On 1 January 2019	(549)	243
Settlement	167	(243)
On 31 December 2019 and 1 January 2020	(382)	–
Settlement	**169**	**–**
Fair value changes (note 6)	**(79)**	**–**
On 31 December 2020	**(292)**	**–**

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models base 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 43.

43. Fair value and fair value hierarchy of financial instruments

	2020 RMB'million	2019 MB'million
Rental guarantees, at fair values	**292**	382
For the purpose of financial statements presentation:		
Non-current liabilities	**117**	208
Current liabilities	**175**	174
	292	382

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 reassessed and revised the related cash flow forecast take into account the latest market conditions.

As at 31 December 2020, 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:

	2020	2019
Estimated office unit rental	**RMB89 to RMB90 per square meter**	RMB81 to RMB85 per square meter
Occupancy rate	**90% to 93%**	84% to 95%
RFR	**2.50%**	2.47%
Discount rate	**9.40%**	8.46%
Expected expiry date (in accordance with conditional term as described above)	**31 January 2022**	31 January 2022

RFR represent the corresponding yield to maturity of respective China Sovereign Fixed Rate.

Loss of RMB79 million (2019: 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.

44. Notes to the consolidated statement of cash flows

a. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related companies*	Borrowings	Senior notes	Receiptsunder securitisation arrangement	Derivative financial instruments	Loans from/ amounts due to non-controlling shareholders of subsidiaries**	Loans from/ amounts due to associates***	Dividends and distributions	Lease liabilities	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
	Note 23	Note 27	Note 30	Note 35	Note 33	Note 24		Notes 11, 31 and 32		
On 1 January 2020	**13**	**25,823**	**11,399**	**519**	**–**	**1,773**	**–**	**–**	**115**	**39,642**
Financing cash flows	**–**	**(6,100)**	**4,721**	**(6)**	**34**	**(242)**	**275**	**(999)**	**(34)**	**(2,351)**
Distributions to owners of perpetual capital securities and CPCS	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**322**	**–**	**322**
Foreign exchange realignment	**–**	**(793)**	**(886)**	**–**	**(34)**	**–**	**–**	**–**	**–**	**(1,713)**
Interest expenses	**–**	**1,350**	**829**	**–**	**–**	**–**	**1**	**–**	**5**	**2,185**
Final dividends for 2019	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**623**	**–**	**623**
Dividends to non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(29)**	**–**	**54**	**–**	**25**
Interest payable	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**
New leases entered	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**
On 31 December 2020	**13**	**20,283**	**16,063**	**513**	**–**	**1,502**	**276**	**–**	**99**	**38,749**

	Amounts due to related companies*	Borrowings	Senior notes	Receipts under securitisation arrangement	Derivative financial instruments	Loans from/ amounts due to non-controlling shareholders of subsidiaries**	Dividends and distributions	Lease liabilities	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
	Note 23	Note 27	Note 30	Note 35	Note 33	Note 24	Notes 11, 31 and 32		
On 1 January 2019	15	26,321	7,424	524	–	1,710	–	–	35,994
Adjustment upon application of IFRS 16	–	–	–	–	–	–	–	99	99
On 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
Distributions to owners of perpetual capital securities and CPCS	–	–	–	–	–	–	384	–	384
Foreign exchange realignment	–	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
On 31 December 2019	13	25,823	11,399	519	–	1,773	–	115	39,642

* Out of the total amounts due to related companies for RMB377 million (2019: RMB331 million) as of 31 December 2020, RMB13 million (2019: RMB13 million) are liabilities arising from financing activities.

** Out of the total loans from/amounts due to non-controlling shareholders of subsidiaries for RMB1,511 million (2019: RMB1,784 million) as of 31 December 2020, RMB1,502 million (2019: RMB1,773 million) are liabilities arising from financing activities.

*** Out of the total loans from/amounts due to associates for RMB799 million (2019: RMB453 million) as of 31 December 2020, RMB276 million (2019: nil) are liabilities arising from financing activities.

44. Notes to the consolidated statement of cash flows – continued

b. Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2020 RMB'million	2019 RMB'million
Within investing activities	–	(12)
Within financing activities	(34)	(28)

45. Statement of financial position of the Company

	2020 RMB'million	2019 RMB'million
Non-current assets		
Investments in subsidiaries	8,312	7,730
Loan to a subsidiary	11,196	11,164
	19,508	18,894
Current assets/(liabilities)		
Bank balances	2	3
Other payable and accrued charges	(2)	–
	–	3
Total assets	19,508	18,897
Capital and reserves		
Share capital	146	146
Reserves (note)	19,362	18,751
Total equity	19,508	18,897

Note:
Details of the Company's reserves are set out below:

	Share premium RMB'million	Share award reserve RMB'million	Other reserve RMB'million	Share option reserve RMB'million	Retained (loss)/profit RMB'million	Total RMB'million
On 1 January 2019	18,078	10	507	11	(1,365)	17,241
Profit and total comprehensive income for the year	–	–	–	–	2,368	2,368
Lapsed of share options	–	–	–	(3)	3	–
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	–	–	–	–	(858)	(858)
On 31 December 2019 and 1 January 2020	18,078	10	507	8	148	18,751
Profit and total comprehensive income for the year	–	–	–	–	1,234	1,234
Lapsed of share options (note 37)	–	–	–	(3)	3	–
2019 final dividend of HKD0.084 per share paid	–	–	–	–	(623)	(623)
On 31 December 2020	18,078	10	507	5	762	19,362

46. Particulars of major subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2020 and 31 December 2019 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2020 (note a)	Attributable equity interest held 2019 (note a)	Place of operation	Principal activities
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
Fo Shan Rui Kang Tian Di Property Development Co., Ltd. (Note d)	PRC 21 May 2008	Registered and paid up apital 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 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
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-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
Shanghai Jiu Hai Rimmer Properties Co., Ltd. (Note b)	PRC 1 November 1994	Registered and paid up capital USD30,000,000	80%	80%	PRC	Property development and property investment
Shanghai Jun Xing Property Co., Ltd (Note b)	PRC 5 March 2009	Registered and paid up capital RMB1,000,000,000	98%	98%	PRC	Property development
Shanghai Knowledge and Innovation Community Development Co., Ltd (Note b)	PRC 9 June 2010	Registered and paid up capital HKD1,550,000,000	50.49%	50.49%	PRC	Property development

46. 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) 2020	2019	Place of operation	Principal activities
Shanghai Rui Chen Property Co., Ltd.(Note d)	PRC 6 May 1996	Registered and paid up capital RMB100,000,000	100%	100%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd. (Note 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 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, f)	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 Land Management Limited	Hong Kong 12 May 2004	HKD1	100%	100%	Hong Kong	Provision of management services
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
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
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

46. 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 2020 (note a)	Attributable equity interest held 2019 (note a)	Place of operation	Principal activities
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
上海新灣景置業有限公司 (Shanghai Xin Wan Jing Property Co., Ltd.) (Note e)	PRC 28 March 2008	Registered and paid up capital RMB10,000,000	100%	100%	PRC	Property development and property investment
上海九澤置業有限公司 (Shanghai Jiu Ze Property Co., Ltd.*)(Note d)	PRC 29 September 2019	Registered and paid up capital RMB2,000,000,000	100%	100%	PRC	Property investment
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 RMB3,445,000,000	80%	80%	PRC	Property development and property investment

Notes:
a. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
b. This company is a sino-foreign equity joint venture.
c. This company is a sino-foreign cooperative joint venture.
d. This company is a wholly foreign owned enterprise.
e. This company is a wholly domestic owned enterprise.
f. This company is a subsidiary of Bright Power Enterprises Limited, in which the Group holds 51% (2019: 51%) of equity interests in 2020.
* For identification purposes

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

	Proportion of equity interest held by non-controlling shareholders On 31 December		Profit allocated to non-controlling shareholders Year ended 31 December		Accumulated non-controlling interests On 31 December	
	2020	2019	**2020**	2019	**2020**	2019
			RMB'million	RMB'million	**RMB'million**	RMB'million
Name of subsidiary						
Bright Power	**49%**	49%	**57**	86	**1,109**	1,052
Merry Wave	**49%**	49%	**54**	67	**513**	459
Individually immaterial subsidiaries with non-controlling interests	**N/A**	N/A	**78**	75	**2,472**	2,319
			189	228	**4,094**	3,830

46. Particulars of major subsidiaries – continued

Summarised financial information in respect of Bright Power is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	On 31 December	
	2020 RMB'million	2019 RMB'million
Current assets	**260**	238
Non-current assets	**5,773**	5,848
Current liabilities	**1,928**	1,971
Non-current liabilities	**1,322**	1,467
Equity attributable to shareholders of Bright Power	**2,264**	2,147

	Year ended 31 December	
	2020 RMB'million	2019 RMB'million
Revenue	**325**	341
Profit and total comprehensive income for the year	**136**	201
Dividend paid to a non-controlling shareholder of Bright Power	**–**	–
Net cash from operating activities	**221**	228
Net cash from investing activities	**46**	35
Net cash used in financing activities	**(244)**	(206)
Net cash inflow	**23**	57

Summarised financial information in respect of Merry Wave is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	On 31 December	
	2020 RMB'million	2019 RMB'million
Current assets	**523**	1,230
Non-current assets	**2,669**	2,637
Current liabilities	**1,795**	2,623
Non-current liabilities	**280**	279
Equity attributable to shareholders of Merry Wave	**1,046**	936

	Year ended 31 December	
	2020 RMB'million	2019 RMB'million
Revenue	**127**	135
Profit and total comprehensive income for the year	**112**	137
Dividend paid to a non-controlling shareholder of Merry Wave	**–**	–
Net cash from operating activities	**9**	91
Net cash from investing activities	**26**	9
Net cash used in financing activities	**(488)**	–
Net cash (outflow) / inflow	**(453)**	100

FINANCIAL SUMMARY

Summary of Consolidated Statement of Profit or Loss

for the year ended 31 December

	2016 RMB' million	2017 RMB' million	2018 RMB' million	2019 RMB' million	**2020** **RMB' million**
Revenue	17,600	18,451	24,841	10,392	**4,597**
Profit / (loss) attributable to shareholders	1,088	1,669	1,906	1,932	**(740)**
Owners of perpetual capital securities	337	459	259	269	**269**
Owners of convertible perpetual capital securities	112	114	112	116	**49**
Non-controlling shareholders of subsidiaries	239	82	409	228	**189**
Profit / (loss) for the year	1,776	2,324	2,686	2,545	**(233)**

Summary of Consolidated Statement of Financial Position

as of 31 December

	2016 RMB' million	2017 RMB' million	2018 RMB' million	2019 RMB' million	**2020** **RMB' million**
Investment properties	56,620	47,989	49,100	51,913	**51,220**
Property and equiptment	1,845	1,187	1,080	1,053	**1,235**
Properties under development for sale	21,838	18,112	11,927	17,855	**21,247**
Properties held for sale	4,865	8,058	5,315	973	**938**
Interests in associates	4,400	1,030	4,998	7,470	**7,828**
Interests in joint ventures	783	6,584	10,682	11,108	**11,973**
Receivables, deposits, and prepayments	13,326	8,734	4,464	3,432	**2,775**
Other assets	2,969	5,838	7,292	2,753	**2,463**
Pledged bank deposits, bank balances and cash	15,567	16,760	15,392	11,859	**15,796**
Total assets	122,213	114,292	110,250	108,416	**115,475**
Current liabilities	34,700	31,594	36,393	20,896	**39,541**
Non-current liabilities	41,257	33,523	26,638	38,213	**29,201**
Total liabilities	75,957	65,117	63,031	59,109	**68,742**
Net assets	46,256	49,175	47,219	49,307	**46,733**
Equity attributable to:					
Shareholders of the Company	37,450	38,282	39,047	40,076	**38,577**
Owners of convertible perpetual securities	1	1	–	–	**–**
Owners of convertible perpetual capital securities	1,345	1,345	1,345	1,345	**–**
Owners of perpetual capital securities	3,046	4,052	4,055	4,056	**4,062**
Non-controlling shareholders of subsidiaries	4,414	5,495	2,772	3,830	**4,094**
Total equity	46,256	49,175	47,219	49,307	**46,733**

Per share data

for the year ended 31 December

	2016	2017	2018	2019	**2020**
Basic earnings / (loss) per share (RMB)	0.14	0.21	0.24	0.24	**(0.092)**
Dividend per share					
– Interim paid (HKD)	0.011	0.03	0.036	0.036	**–**
– Final proposed (HKD)	0.039	0.07	0.084	0.084	**–**
– Full year (HKD)	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 Officer)
Ms. Stephanie B. Y. LO
(Managing Director)

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
Mr. Shane S. TEDJARATI
Ms. Ya Ting WU

Audit and Risk Committee

Professor Gary C. BIDDLE (Chairman)
Dr. Roger L. McCARTHY
Mr. David J. SHAW

Remuneration Committee

Mr. Anthony J. L. NIGHTINGALE (Chairman)
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

Nomination Committee

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

Finance Committee

Mr. Vincent H. S. LO (Chairman)
Sir John R. H. BOND
Professor Gary C. BIDDLE
Mr. Douglas H. H. SUNG
Mr. Anthony J. L. NIGHTINGALE

Company Secretary

Mr. UY Kim Lun

Auditor

Ernst & Young
Registered Public Interest Entity Auditor

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown

Registered Office

One Nexus Way
Camana Bay
Grand Cayman, KY1-9005
Cayman Islands

Corporate Headquarters

26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
PRC

Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1–1100
Cayman Islands

Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Stock Code

272

Website

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