瑞安房地產
SHUI ON LAND

Shui On Land Limited

瑞安房地產有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 272)

Announcement of 2018 Annual Results

HIGHLIGHTS

- **Strategic transformation underway:** 2018 marked an important chapter for the Group. Our Asset Light Strategy has greatly enhanced the Group's financial strength. In addition, we have embarked on a strategic transformation for Shui On Land to become a leading commercial-focused property developer, owner and asset manager in China. During the year, the Group acquired a prime office and retail mixed-use site via a land auction with China Pacific Life Insurance Company Limited and Shanghai Yongye Enterprise (Group) Company Limited, formed an office investment platform with Manulife Investors and China Life Trustees Limited to purchase 5 Corporate Avenue in Shanghai, and acquired 21.894% interest in CXTD Holding from BSREP CXTD Holdings L.P. ("Brookfield"). The above transactions will further enhance the Group's position as one of the largest commercial owners and asset managers in Shanghai.

- **Strong revenue growth of 35%:** 2018 revenue increased by 35% to RMB24,841 million. General property sales accounted for RMB7,093 million, while other asset disposals accounted for RMB15,038 million. Rental and related income contributed RMB2,016 million during the year, as well as RMB694 million arising from hotel, construction, asset management fee income and other activities.

- **Profit attributable to shareholders up 14%:** Backed by the higher revenue, profit for the year grew to RMB2,686 million in 2018, compared to RMB2,324 million in 2017. Accordingly, profit attributable to shareholders rose 14% to RMB1,906 million in 2018, from RMB1,669 million a year ago.

- **Solid balance sheet to weather market volatilities:** Net gearing ratio was 40% as at 31 December 2018, representing a decrease of 11 percentage points from 51% as at 31 December 2017; cash and bank deposits remained healthy at RMB15,392 million. The Group's solid balance sheet should enable it to weather any normal market volatility that may arise.

- **Rental income underpinned by active asset management and proactive leasing:** The Group completed over 1,100 leasing deals of which over 300 leases were new tenants during the year. This includes several notable international and local brands which are entering China and the region for the first time. The completion of asset enhancements at Xintiandi Plaza during the year also contributed to the strong leasing activities. Rental and related income increased by 8% to RMB2,016 million in 2018 compared to 2017. Including the RMB184 million rental and related income generated from the RHXC commercial partnership portfolio which is now accounted as joint venture income, total rental and related income increase was 18% year-on-year. The shoppers' traffic and retail sales of the portfolio increased by 15% and 20%, respectively.

PERFORMANCE HIGHLIGHTS

	2018	2017	Year-on-Year Growth/ (Decline)
Total assets (RMB'million)	**110,250**	**114,292**	**(4%)**
Total investment properties at valuation (RMB'million)	**43,351**	**40,636**	**7%**
Shareholders' equity (RMB'million)	**39,047**	**38,282**	**2%**
Rental and related income (RMB'million)	**2,200**[1]	**1,869**	**18%**
Contracted sales (RMB'million)	**22,279**	**21,366**	**4%**
Selected Financial Information (RMB'million)			
Revenue	24,841	18,451	35%
Gross profit	7,145	7,858	(9%)
Profit for the year	2,686	2,324	16%
Profit attributable to shareholders of the Company	1,906	1,669	14%
Core earnings	3,060	3,147	(3%)
Selected Financial Ratios			
Gross profit margin	29%	43%	(14ppt)
Gross profit margin of general property sales	38%	37%	1ppt
Net profit margin	11%	13%	(2ppt)
Earnings per share (basic), RMB cents	23.7	20.8	14%

	31 December 2018	31 December 2017	Changes
Selected Balance Sheet Data (RMB'million)			
Total assets	110,250	114,292	(4%)
Cash and bank deposits	15,392	16,760	(8%)
Total indebtedness	34,269	41,699	(18%)
Net debt	18,877	24,939	(24%)
Total equity	47,219	49,175	(4%)
Net gearing (Net debt-to-equity ratio), at the end of year	40%	51%	(11ppt)
Average cost of indebtedness, at the end of year	5.5%	5.8%	(0.3ppt)
Landbank (GFA, million sq.m.)			
Total leasable and saleable landbank	6.8	9.5	
Attributable leasable and saleable landbank	4.3	5.9	

[1] *Including Rental Income from Rui Hong Xin Cheng Commercial Partnership Portfolio, in which, the Group has 49.5% effective interest, if exclude and deconsolidate in 2018, rental and related income for the Group was RMB2,016 million, an increase of 8% compared to 2017 on revenue basis.*

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2018**		2017	
		HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Revenue					
- The Group	*4*	**29,362**	**24,841**	21,329	18,451
- Share of joint ventures		**108**	**91**	-	-
		29,470	**24,932**	21,329	18,451
Revenue of the Group	*4*	**29,362**	**24,841**	21,329	18,451
Cost of sales		**(20,917)**	**(17,696)**	(12,245)	(10,593)
Gross profit		**8,445**	**7,145**	9,084	7,858
Other income	*5*	**493**	**417**	527	456
Selling and marketing expenses		**(300)**	**(254)**	(344)	(298)
General and administrative expenses		**(934)**	**(790)**	(955)	(826)
Operating profit		**7,704**	**6,518**	8,312	7,190
Gain on disposal of investment properties through disposal of subsidiaries		**229**	**194**	2,029	1,755
Increase in fair value of the remaining investment properties		**1,147**	**970**	599	518
Other gains and losses	*5*	**(1,170)**	**(990)**	(688)	(595)
Share of gains (losses) of associates and joint ventures		**72**	**61**	(1,072)	(927)
Finance costs, inclusive of exchange differences	*6*	**(2,028)**	**(1,716)**	(1,955)	(1,691)
Impairment losses, net of reversal	*7*	**(144)**	**(122)**	-	-
Profit before taxation	*7*	**5,810**	**4,915**	7,225	6,250
Taxation	*8*	**(2,635)**	**(2,229)**	(4,538)	(3,926)
Profit for the year		**3,175**	**2,686**	2,687	2,324
Attributable to:					
Shareholders of the Company		**2,253**	**1,906**	1,929	1,669
Owners of perpetual capital securities		**306**	**259**	531	459
Owners of convertible perpetual capital securities		**132**	**112**	132	114
Non-controlling shareholders of subsidiaries		**484**	**409**	95	82
		922	**780**	758	655
		3,175	**2,686**	2,687	2,324
Earnings per share	*10*				
Basic		**HKD28.0 cents**	**RMB23.7 cents**	HKD24.1 cents	RMB20.8 cents
Diluted		**HKD27.5 cents**	**RMB23.3 cents**	HKD23.9 cents	RMB20.7 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2018		2017	
	HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Profit for the year	**3,175**	**2,686**	2,687	2,324
Other comprehensive income (expense)				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	**1**	**1**	7	6
Fair value adjustments on currency forward contracts designated as cash flow hedges	**514**	**435**	(616)	(532)
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**(595)**	**(504)**	430	372
Share of other comprehensive income of a joint venture	**26**	**22**	-	-
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit obligations	**(4)**	**(3)**	12	10
Gain on revaluation of properties transferred from property, plant and equipment to investment properties, net of tax	**5**	**4**	7	6
Other comprehensive expense for the year	**(53)**	**(45)**	(160)	(138)
Total comprehensive income for the year	**3,122**	**2,641**	2,527	2,186
Total comprehensive income attributable to:				
Shareholders of the Company	**2,200**	**1,861**	1,769	1,531
Owners of perpetual capital securities	**306**	**259**	531	459
Owners of convertible perpetual capital securities	**132**	**112**	132	114
Non-controlling shareholders of subsidiaries	**484**	**409**	95	82
	922	**780**	758	655
	3,122	**2,641**	2,527	2,186

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2018** **RMB'million**	2017 RMB'million
Non-current assets			
Investment properties		**49,100**	47,989
Interests in associates		**4,998**	1,030
Interests in joint ventures		**10,682**	6,584
Property, plant and equipment		**1,080**	1,187
Accounts receivable, deposits and prepayments	*11*	**1,349**	1,088
Pledged bank deposits		**1,796**	2,134
Derivative financial instruments		**243**	342
Deferred tax assets		**1,043**	992
Other non-current assets		**51**	42
		70,342	61,388
Current assets			
Properties under development for sale		**11,927**	18,112
Properties held for sale		**5,315**	8,058
Accounts receivable, deposits and prepayments	*11*	**3,115**	7,520
Loans to/amounts due from associates		**3,434**	-
Loans to/amounts due from joint ventures		**1,853**	660
Amounts due from related companies		**159**	642
Contract assets		**59**	-
Amounts due from customers for contract work		**-**	126
Pledged bank deposits		**492**	19
Bank balances and cash		**13,104**	14,607
Derivative financial instruments		**221**	-
Prepaid taxes		**229**	-
		39,908	49,744
Assets classified as held for sale		**-**	3,160
		39,908	52,904
Current liabilities			
Accounts payable, deposits received and accrued charges	*12*	**10,002**	10,369
Contract liabilities		**6,017**	-
Bank borrowings - due within one year		**12,782**	9,596
Senior notes		**1,722**	5,781
Receipts under securitisation arrangements		**5**	-
Tax liabilities		**3,196**	3,443
Loans from/amounts due to non-controlling shareholders of subsidiaries		**1,718**	1,659
Amount due to an associate		**383**	-
Amount due to a joint venture		**384**	-
Amounts due to related companies		**15**	347
Derivative financial instruments		**-**	214
Liability arising from a rental guarantee arrangement		**169**	177
		36,393	31,586
Liabilities associated with assets classified as held for sale		**-**	8
		36,393	31,594
Net current assets		**3,515**	21,310
Total assets less current liabilities		**73,857**	82,698

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Notes	**2018 RMB'million**	2017 RMB'million
Non-current liabilities			
Bank borrowings - due after one year		**13,539**	21,397
Senior notes		**5,702**	4,925
Receipts under securitisation arrangements		**519**	-
Liability arising from a rental guarantee arrangement		**380**	551
Deferred tax liabilities		**6,490**	6,645
Defined benefit liabilities		**8**	5
		26,638	33,523
Capital and reserves			
Share capital	*13*	**146**	146
Reserves		**38,901**	38,136
Equity attributable to shareholders of the Company		**39,047**	38,282
Convertible perpetual securities		**-**	1
Convertible perpetual capital securities		**1,345**	1,345
Perpetual capital securities		**4,055**	4,052
Non-controlling shareholders of subsidiaries		**2,772**	5,495
		8,172	10,893
Total equity		**47,219**	49,175
Total equity and non-current liabilities		**73,857**	82,698

Notes to the consolidated financial statements:

1. General

The consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Financial Reporting Standards ("IFRSs").

2. Presentation

The Hong Kong dollar figures presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.182 for 2018 and RMB1.000 to HKD1.156 for 2017, being the average exchange rates that prevailed during the respective years.

3. Application of New and Amendments to IFRSs

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

The Group has applied the following new and amendments to IFRSs and interpretation for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 - 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs and interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Costs* and the related interpretations.

The Group recognises revenue from contracts with customers under IFRS 15 from the following major sources:

Property development	- development and sale of properties
Property investment	- hotel operation and property management
Construction	- construction, interior fitting out, renovation and maintenance of building premises and provision of related consultancy services

Revenue from offices and commercial/mall leasing is accounted for in accordance with IAS 17 *Leases*, whereas revenue from development and sale of properties is accounted for under IFRS15.

3. Application of New and Amendments to IFRSs - continued

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

3.1 IFRS 15 Revenue from Contracts with Customers- continued

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018*
		RMB'million	RMB'million	RMB'million
Current Assets				
Contract assets	a	-	126	126
Amounts due from customers for contract work	a	126	(126)	-
Current Liabilities				
Accounts payable, deposits received and accrued charges	b	10,369	(2,889)	7,480
Contract liabilities	b	-	2,889	2,889

* The amounts in this column are before the adjustments from the application of IFRS 9.

Notes:

(a) In relation to construction contracts previously accounted for under IAS 11, the Group applies input method in estimating the performance obligations satisfied up to date of initial application of IFRS 15. RMB126 million of amounts due from customers for contract work was reclassified to contract assets.

(b) As at 1 January 2018, for deposits received in relation to property sales previously presented in accounts payable, deposits received and accrued charges, RMB2,889 million was classified to contract liabilities.

The following table summarises the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'million	RMB'million	RMB'million
Current Assets			
Contract assets	59	(59)	-
Amounts due from customers for contract work	-	59	59
Current Liabilities			
Accounts payable, deposits received and accrued charges	10,002	6,017	16,019
Contract liabilities	6,017	(6,017)	-

3. Application of New and Amendments to IFRSs - continued

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

3.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and accounts receivable) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

In addition, the Group applied the hedge accounting prospectively.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Financial assets at fair value through profit or loss ("FVTPL")* RMB'million	Financial assets at amortised cost (previously classified as loans and receivables) RMB'million	Contract assets RMB'million	Financial liabilities at amortised cost RMB'million	Financial Liabilities at FVTPL** RMB'million	Retained earnings RMB'million
Closing balance at 31 December 2017						
- IAS 39	342	21,497	-	50,408	942	19,787
Effect arising from initial application of IFRS 15	-	-	126	-	-	-
Remeasurement						
Impairment under ECL model (a)	-	(91)	-	-	-	(91)
Opening balance at 1 January 2018	342	21,406	126	50,408	942	19,696

* Balances represent derivative financial instruments
** Balances represent derivative financial instruments and liability arising from a rental guarantee arrangement

3. Application of New and Amendments to IFRSs - continued

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

3.2 IFRS 9 Financial Instruments- continued

Summary of effects arising from initial application of IFRS 9- continued

(a) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and accounts receivable. To measure the ECL, contract assets and accounts receivable have been assessed individually for debtors with significant balances or grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the accounts receivable for the same types of contracts. The Group has therefore concluded that the expected loss rates for the accounts receivable are a reasonable approximation of the loss rates for the contract assets.

ECL for other financial assets at amortised cost mainly comprise of bank balances and cash, pledged bank deposits, other receivables, amounts due from related companies, loans to/amounts due from joint ventures and loans to/amounts due from associates are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB91 million has been recognised against retained earnings. The additional loss allowance is charged against the respective assets.

All loss allowances for financial assets and contract assets as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Other financial assets at amortised cost	Contract assets	Accounts receivable
	RMB'million	RMB'million	RMB'million
At 31 December 2017			
- IAS 39	-	N/A	-
Amounts remeasured through opening retained earnings	-	-	91
At 1 January 2018	-	-	91

(b) Hedge accounting

The Group applies the hedge accounting requirements of IFRS 9 prospectively. At the date of the initial application, hedging relationships that qualified for hedge accounting in accordance with IAS 39 are regarded as continuing hedging relationship if all qualifying criteria under IFRS 9 are met, after considering any rebalancing of the hedging relationship on transition.

3. Application of New and Amendments to IFRSs - continued

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

3.3 Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

3.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the lines affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) RMB'million	IFRS 15 RMB'million	IFRS 9 RMB'million	1 January 2018 (Restated) RMB'million
Current Assets				
Contract assets	-	126	-	126
Amounts due from customers for contract work	126	(126)	-	-
Accounts receivable, deposits and prepayments	7,520	-	(91)	7,429
Current Liabilities				
Accounts payable, deposits received and accrued charges	10,369	(2,889)	-	7,480
Contract liabilities	-	2,889	-	2,889
Capital and Reserves				
Reserves	38,136	-	(91)	38,045

3. Application of New and Amendments to IFRSs - continued

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRS mentioned below, the Directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts based on whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting; and is replaced by a model where a right-of-use asset and a corresponding liability must be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investment cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into principal and an interest portion which will be presented as financing cash flows.

3. Application of New and Amendments to IFRSs - continued

New and amendments to IFRSs in issue but not yet effective- continued

IFRS 16 Leases- continued

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB620 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB3 million and refundable rental deposit received of RMB640 million as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payment under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to the amortised cost and such adjustments are considered as advance lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payment.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. Revenue and Segmental Information

A. For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers under IFRS 15

	Year ended 31 December 2018 Total revenue RMB'million
Property development:	
Property sales	22,131
Property management fee income and other income	96
	22,227
Property investment:	
Income from hotel operations	96
Property management fee income	153
	249
Construction	296
Others	206
Total	22,978
Geographical markets	
Shanghai	22,350
Wuhan	29
Chongqing	311
Foshan	288
Total	22,978
Timing of revenue recognition	
A point in time	22,131
Over time	847
Total	22,978

4. Revenue and Segmental Information-continued

A. For the year ended 31 December 2018 - continued

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

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

4. Revenue and Segmental Information-continued

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follow:

	Total revenue
	RMB'million
Property development:	
Property sales	16,169
Property investment:	
Rental income received from investment properties	1,675
Income from hotel operations	92
Property management fee income	31
Rental related income	163
	1,961
Construction	194
Others	127
Total	18,451

C. 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 in Shanghai, Chongqing, Wuhan and Foshan, the PRC, and their revenues are primarily derived from property sales and leasing respectively. The Directors of the Company consider the various operating segments under property development and property investment segments are aggregated for financial reporting purposes because those segments have similar characteristics in terms of production process, class of customers and distribution method and are under similar economic conditions and subject to similar regulatory policies.

4. Revenue and Segmental Information-continued

For the year ended 31 December 2018

	Reportable segment					
	Property development RMB'million	**Property investment RMB'million**	**Construction RMB'million**	**Total RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
SEGMENT REVENUE						
External revenue of the Group	**22,227**	**2,112**	**296**	**24,635**	**206**	**24,841**
Share of revenue of joint ventures	**-**	**91**	**-**	**91**	**-**	**91**
Total segment revenue	**22,227**	**2,203**	**296**	**24,726**	**206**	**24,932**
SEGMENT RESULTS						
Segment results of the Group	**5,257**	**2,168**	**11**	**7,436**	**96**	**7,532**
Interest income						**385**
Share of gains of associates and joint ventures						**61**
Finance costs, inclusive of exchange differences						**(1,716)**
Other gains and losses						**(891)**
Impairment loss, net of reversal						**(122)**
Unallocated income						**15**
Unallocated expenses						**(349)**
Profit before taxation						**4,915**
Taxation						**(2,229)**
Profit for the year						**2,686**

4. Revenue and Segmental Information - continued

For the year ended 31 December 2017

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External revenue of the Group	16,169	1,961	194	18,324	127	18,451
Total segment revenue	16,169	1,961	194	18,324	127	18,451
SEGMENT RESULTS						
Segment results of the Group	5,968	3,063	(14)	9,017	120	9,137
Interest income						405
Share of losses of associates and joint ventures						(927)
Finance costs, inclusive of exchange differences						(1,691)
Other gains and losses						(416)
Unallocated income						72
Unallocated expenses						(330)
Profit before taxation						6,250
Taxation						(3,926)
Profit for the year						2,324

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

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, Directors' salaries, interest income, share of gains (losses) of associates and joint ventures, impairment loss, net of reversal, unallocated income, other gains and losses except for the change in fair value of call option to buy back an investment property, and finance costs inclusive of exchange differences. This is the measure reported to the chief operating decision makers who are the Executive Directors of the Company for resource allocation and performance assessment.

5. Other Income, Other Gains and Losses

	2018	2017
	RMB'million	RMB'million
Other income		
Interest income from banks	**297**	220
Interest income from associates	**25**	94
Interest income from loans to joint ventures	**63**	58
Imputed interest income on consideration receivable from disposal of a subsidiary	**-**	33
Grants received from local government	**17**	18
Others	**15**	33
	417	456

Other gains and losses

	2018	2017
Impairment loss on investment properties under development at cost (*note(i)*)	**(380)**	-
Impairment loss of investment in a joint venture (*note (ii)*)	**(376)**	-
Loss arising from a rental guarantee arrangement	**-**	(458)
Loss on early redemption of senior notes	**(78)**	(235)
Gain on disposal of investment properties (*note (iii)*)	**11**	156
Decrease in fair value of call option	**(99)**	(118)
Fair value gain on other derivative financial instruments	**-**	64
Impairment loss on property, plant and equipment	**-**	(61)
Loss on termination of sales of beneficial interest in certain properties	**(48)**	-
Others	**(20)**	57
	(990)	(595)

Notes:

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

(ii) The Group's original investment costs in 上海瑞永景房地產開發有限公司 ("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 loss of investment in a joint venture during the year ended 31 December 2018.

(iii) During the year ended 31 December 2017, the amount mainly included a disposal gain arising from the disposal of certain retail units located in Shanghai, which were classified as completed investment properties, for a cash consideration after the deduction of value-added tax and transaction cost of RMB656 million, and recognised a gain of RMB144 million on disposal of investment properties for the year ended 31 December 2017.

6. Finance Costs, Inclusive of Exchange Differences

	2018	2017
	RMB'million	RMB'million
Interest on bank borrowings	**1,658**	1,718
Imputed interest of deferred consideration in relation to acquisition of a subsidiary	**-**	82
Interest on senior notes	**612**	1,372
Interest on loans from a non-controlling shareholder of subsidiaries	**59**	7
Total interest costs	**2,329**	3,179
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(945)**	(1,344)
Interest expense charged to profit or loss	**1,384**	1,835
Net exchange loss (gain) on bank borrowings and other financing activities	**273**	(195)
Others	**59**	51
	1,716	1,691

Borrowing costs capitalised during the year were calculated by applying a capitalisation rate of approximately 5.2% (2017: 5.1%) per annum to expenditure on the qualifying assets.

7. Profit Before Taxation

	2018 RMB'million	2017 RMB'million
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
- audit services	**6**	5
Depreciation of property, plant and equipment	**98**	108
Release of prepaid lease payments	**1**	1
Gain on disposal of property, plant and equipment	**-**	(5)
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	3
Salaries, bonuses and other benefits	**18**	12
	20	15
Other staff costs		
Salaries, bonuses and other benefits	**580**	590
Retirement benefits costs	**38**	39
Share option expenses	**1**	2
Share award expenses	**1**	7
	620	638
Total employee benefits expenses	**640**	653
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(66)**	(120)
	574	533
Impairment loss, net of reversal		
Accounts receivable	**(58)**	-
Receivables from disposal of a subsidiary	**180**	-
	122	-
Cost of properties sold recognised as an expense	**16,621**	11,430
Minimum lease payments under operating leases	**34**	15
Impairment loss on properties held for sale (included in "cost of sales")	**54**	29

8. Taxation

	2018 RMB'million	2017 RMB'million
PRC Enterprise Income Tax		
- Current provision	**1,131**	1,535
PRC Withholding Tax		
- Current provision	**310**	7
PRC Land Appreciation Tax		
- Provision for the year	**589**	1,959
Deferred Taxation		
- Provision for the year	**199**	425
	2,229	3,926

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

PRC Enterprise Income Tax ("EIT") has been provided for at the applicable income tax rate of 25% on the assessable profits of the companies in the Group during both years.

The PRC EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, and at rate of 10% (5% if obtained the Hong Kong residents) for companies incorporated in BVI and Republic of Mauritius ("Mauritius"), which are the beneficial owners of the dividend received. As at 31 December 2018 and 31 December 2017, deferred tax was provided for in respect of the temporary differences attributable to such profits, except to the extent that the Group is able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences would not be reversed in the foreseeable future.

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

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

9. Dividends

	2018 RMB'million	2017 RMB'million
Dividends recognised as distribution during the year:		
Interim dividend paid in respect of 2018 of HKD0.036 per share (2017: Interim dividend paid in respect of 2017 of HKD0.03 per share)	**253**	205
Final dividend paid in respect of 2017 of HKD0.07 per share (2017: Final dividend paid in respect of 2016 of HKD0.039 per share)	**461**	270
	714	475

A final dividend for the year ended 31 December 2018 of HKD0.084 (equivalent to RMB0.074 translated using the exchange rate of 0.87620 as at 31 December 2018) per share, amounting to HKD677 million (equivalent to RMB593 million translated using the exchange rate of 0.87620 as at 31 December 2018) in aggregate, was proposed by the Directors of the Company on 20 March 2019 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

10. Earnings Per Share

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

Earnings	**2018 RMB'million**	2017 RMB'million
Earnings for the purpose of basic earnings per share, being profit for the year attributable to shareholders of the Company	**1,906**	1,669
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities	**112**	114
Earnings for the purpose of diluted earnings per share	**2,018**	1,783

Number of shares	**2018 'million**	2017 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share (*note (a)*)	**8,043**	8,018
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities	**632**	597
Outstanding share awards	**1**	17
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,676**	8,632

Basic earnings per share (*note (b)*)	**RMB23.7cents** **HKD28.0cents**	RMB20.8cents HKD24.1cents
Diluted earnings per share (*note (b)*)	**RMB23.3cents** **HKD27.5cents**	RMB20.7cents HKD23.9cents

Notes:

(a) The weighted average number of ordinary shares shown above has been arrived at after deducting the weighted average effect on 19,076,778 (2017: 24,854,000) shares held by a share award scheme trust.

(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 HKD1.182 for 2018 and RMB1.000 to HKD1.156 for 2017, 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 these share options were higher than the average market price of the Company's shares per share for the years ended 31 December 2018 and 2017, as appropriate.

11. Accounts Receivable, Deposits and Prepayments

	2018	2017
	RMB'million	RMB'million
Non-current assets comprise:		
Rental receivables in respect of rent-free periods	**250**	277
Trade receivables	**57**	144
Deposits for acquisition of a subsidiary	**-**	630
Deposits paid on investment in an associate	**1,041**	-
Other receivables	**1**	37
	1,349	1,088
Current assets comprise:		
Trade receivables	**97**	158
Prepayments of relocation costs (*note*)	**347**	6,004
Other deposits, prepayments and receivables	**383**	903
Receivables from disposals of subsidiaries	**447**	380
Rental receivables in respect of rent-free periods	**106**	75
Receivables from disposal of associates	**1,735**	-
	3,115	7,520

Note:

The balances represent the amounts that will be capitalised to properties under development for sale as soon as the relocation is completed. Such relocation process in respect of the land portion which will be developed for sale is in accordance with the Group's normal operating cycle and accordingly the related relocation costs are classified as current assets.

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sale and purchase agreements;

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

(iii) receivables arising from construction revenue of which a credit term of 40 days are granted to the customers.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB154 million (2017: RMB302 million), of which 52% (2017: 46%) are aged less than 90 days, and 48% (2017: 54%) are aged over 90 days, as compared to when revenue was recognised.

Included in the Group's trade receivable balances as at 31 December 2017 are debtors with aggregate carrying amount of RMB258 million which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 31% are past due within 90 days, and 69% are past due over 90 days, based on the repayment terms set out in the sale and purchase agreements.

12. Accounts Payable, Deposits Received and Accrued Charges

	2018 **RMB'million**	2017 RMB'million
Trade payables	**1,980**	3,505
Relocation cost payables	**2,681**	1,552
Retention payables (*note(a)*)	**281**	381
Deed tax, business tax and other tax payables	**185**	353
Deposits received and receipt in advance from property sales	**-**	2,889
Deposits received and receipt in advance in respect of rental of investment properties	**765**	603
Deposits received from disposal of associates	**-**	343
Value-added tax payable	**7**	90
Other payables and accrued charges	**697**	653
Payables for acquisition of the remaining interest in subsidiaries (*note (b)*)	**3,406**	-
	10,002	10,369

Notes:

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

(b) On 28 December 2018, China Xintiandi Limited (a wholly-owned subsidiary of the Company) entered into an agreement with Brookfield to acquire all the interest held by Brookfield in China Xintiandi Holding Company Limited ("CXTD Holding"), comprising approximately 21.894% of all the issued shares in the capital of CXTD Holding (the "Sale Shares") and the outstanding convertible perpetual securities in the principal amount of USD100,000 (the "Sale CPS") (the "Brookfield Transaction") at a consideration of RMB3,405 million and USD100,000 (equivalent to RMB1 million) respectively. As the Company has obtained the necessary written approval from its shareholders on 28 December 2018, the acquisition became unconditional. Accordingly, the carrying value of respective non-controlling interest of CXTD Holding and the Sale CPS were derecognised and reclassified to payables.

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB1,980 million (2017: RMB3,505 million), of which 88% (2017: 89%) are aged less than 30 days, 1% (2017: 1%) are aged between 31 to 60 days, and 11% (2017: 10%) are aged more than 90 days, based on invoice date.

13. Share Capital

Ordinary shares of USD0.0025 each	Authorised Number of shares	Authorised USD'000	Issued and fully paid Number of shares	Issued and fully paid USD'000
At 1 January 2017	12,000,000,000	30,000	8,026,630,189	20,066
Exercise of share options	-	-	293,400	1
Issue of shares in lieu of cash dividends	-	-	34,380,935	86
At 31 December 2017	12,000,000,000	30,000	8,061,304,524	20,153
Exercise of share options	-	-	911,800	2
At 31 December 2018	**12,000,000,000**	**30,000**	**8,062,216,324**	**20,155**

	2018	2017
	RMB'million	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.

14. Events After the Reporting Period

The Group has noted the following events after the reporting period:

(a) On 28 February 2019, Shui On Development (Holding) Limited ("SODH") issued USD500 million senior notes to independent third parties with a maturity of two years and nine months due on 28 November 2021, bearing coupon at 6.25% per annum, payable semi-annually in arrears.

(b) On 15 March 2019, consideration of RMB3,406 million in relation to the Brookfield Transaction has been paid.

BUSINESS REVIEW

<u>Strategic transformation into a leading commercial focused property developer, owner and asset manager</u>

In recent years, the Group has adjusted its business model to adopt an "Asset Light Strategy" which enables us to greatly enhance our financial strength, diversify our capital base and invest in new opportunities. The goal of our Asset Light Strategy is to transform Shui On Land into a leading commercial focused property developer, owner and asset manager in China.

Key Achievements in 2018

The Group achieved several major milestones in 2018. We divested its 49.5% effective interest in the Shanghai RHXC Residential Portfolio Lots 1 & 7 to Joy City Property Limited in 2018, and the two partners will jointly develop the project. In July 2018, together with China Pacific Life Insurance Company Limited and Shanghai Yongye Enterprise (Group) Company Limited, the Group successfully bid for a major office and retail mix-used site in the Taipingqiao area. On 28 December 2018, the Group acquired all the remaining interest held by Brookfield in CXTD Holding (comprising the Sale Shares and the Sale CPS). This transaction consolidates the Group's control of the asset portfolio held by CXTD Holding and provides greater flexibility in the strategic direction and day-to-day management of the portfolio.

Further, on 29 December 2018, the Group entered into an agreement with Manulife Investors and China Life Trustees Limited to establish a Core-Plus Office Investment Platform to pursue office investments in Shanghai and other first tier cities in the PRC, with a targeted total capital commitment of USD1.0 billion. The platform's inaugural investment is 5 Corporate Avenue, 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, which sits near the Group's flagship Shanghai Xintiandi. 5 Corporate Avenue was developed and completed by the Group in 2013.

A Market Leader in Shanghai Commercial Property Portfolio

The Group currently holds and manages a total of 1.67 million sq.m. of leasable and saleable GFA in Shanghai. This comprises (i) 763,000 sq.m. of completed GFA held for long-term investment, (ii) 45,000 sq.m. of GFA under renovation, (iii) 787,000 sq.m. of GFA under development or held for future development, and (iv) 79,000 sq.m. under management. Our existing office/commercial portfolio is amongst one of the largest in Shanghai. As of 31 December 2018, the total asset value of the Group's investment properties (including properties under development) owned or under management amounted to RMB72.2 billion, while the Group's overall effective interest in this portfolio is approximately 47%.

<u>Future growth drivers in the Group</u>

As the Group expands its investment management scope and capabilities, we envisage that going forward fee income contributions will gradually increase and along with rental income and development and trading profit, should provide the Group a more balanced sources of income.

Investment Management

The implementation of the "asset light strategy" continues to show good progress and is allowing us to recycle capital faster and capture growth opportunities. Currently, we are the investment manager, project manager and/or asset manager of 6 projects with partners/co-investors under different status of development. The following table shows the details.

Project	Partners	Nature	Year	Office & Retail GFA sq.m.	Residential GFA sq.m.	Total GFA sq.m.	Asset Value as of 31 December 2018 RMB'bn	Group's Interest	Attributable Value RMB'bn
Shanghai KIC	China Life	Completed Office and Retail Properties	2017	249,000	-	249,000	8.3	44.27%[1]	3.83
Shanghai RHXC Commercial Portfolio	China Life	Completed retail, under- development office & retail site	2017	448,000	-	448,000	10.7	49.50%	5.29
Wuhan Optics Valley Innovation Tiandi	Citic	Land acquisition Residential, Office & Retail mix-used sites	2017	834,000	443,000	1,277,000	2.3	50.00%	1.15
Shanghai RHXC Lots 167A&B	GTJA	Relocation Residential, Office & Retail mix-used sites	2017	149,000	83,000	232,000	10.7	49.00%	5.24
Shanghai TPQ Lots 123,124,132	China Pacific Life Insurance /Yongye	Land acquisition, Office & retail Mix-used sites	2018	303,000	-	303,000	17.3	25.00%	4.33
Shui On Core-Plus Office Investment Platform	Manulife /China Life	Acquisition of 5 Corporate Avenue, Completed IP	2018	79,000	-	79,000	6.4	20.00%[2]	1.28
Total				**2,062,000**	**526,000**	**2,588,000**	**55.7**		**21.12**

[1] *The Group has a 44.27% interest in all the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 50.49%.*
[2] *5 Corporate Avenue targets to having the closing in Q2 2019.*

Asset Management

The Brookfield Transaction was completed on 15 March 2019, and CXTD Holding became a wholly-owned subsidiary of the Company. It is positioned to be our asset management platform and will continue to focus on enhancing the value of our investment properties through active asset management and development of new products and services.

Investment Properties Performances

Rental and related income increased by 8% to RMB2,016 million in 2018 compared to 2017. Including the RMB184 million rental and related income generated from the RHXC commercial partnership portfolio which is now accounted as joint venture income, total rental and related income increase was 18% year-on-year.

The table below provides an analysis of the rental and related income from investment properties for 2018 and 2017 and occupancy rate of the properties:

Project	Product	Leasable GFA	Rental & related income RMB'million			Occupancy Rate		
		sq.m.	2018	2017	Change	31 December 2018	31 December 2017	Change ppt
Shanghai Taipingqiao								
Shanghai Xintiandi	**Office/ Retail**	54,000	417	410	2%	100%	100%	-
Xintiandi Style	**Retail**	26,000	100	88	14%	100%	94%	6
Shui On Plaza[3]	**Office**	24,000	91	88	3%	91%	97%	(6)
Xintiandi Plaza[1]	**Retail**	28,000	24	11	118%	82%	N/A	N/A
THE HUB	**Office/ Retail**	263,000	407	326	25%	91%	95%	(4)
Shanghai KIC[3]	**Office/ Retail/ Hotel**	243,000	450	378	19%	96%	96%	-
Wuhan Tiandi	**Retail**	166,000	265	220	20%	87%	88%	(1)
Foshan Lingnan Tiandi[3]	**Office/Retail**	151,000	217	158	37%	86%	81%	5
Chongqing Tiandi	**Retail**	134,000	45	46	(2%)	59%	62%	(3)
Sub-Total		**1,089,000**	**2,016**	**1,725**	**17%**			
Shanghai RHXC[2] **(classified as joint venture income in 2018)**	**Retail**	111,000	184	144	28%	94%	93%	1
Grand Total		**1,200,000**	**2,200**	**1,869**	**18%**			

[1] *Xintiandi Plaza was under AEI in 2017 and was re-opened in December 2018.*

[2] *The Group divested 49.5% effective interest in the RHXC Commercial Partnership Portfolio in late 2017. The rental and related income of the completed properties of RHXC Commercial Partnership Portfolio was deconsolidated by the Group; if such was included for like-for-like comparison, the total rental and related income of the portfolio increased by 18% compared to 2017.*

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

Shanghai Xintiandi’s rental and related income remained stable in 2018. After a series of tenant upgrades taken place since 2017, new tenants such as Tom Ford Cosmetic, Glaciel and LeTAO from Tokyo, have launched their first China stores in Shanghai Xintiandi in the second half 2018. Subsequent to the year end, New York burger chain Shake Shack opened the doors to its first China outlet at Xintiandi in January 2019.

Xintiandi Plaza’s AEI was completed and held its soft opening in December 2018 attracting a myriad of new tenants, including many whom are making their first appearance in China and/or Shanghai. PS Café from Singapore, FOMO Pancake from Japan, L’Eclair de Genie from France are among the brands that have launched their first stores in China. Pink of HEYTEA, select boutique brand ICON, and lifestyle brand nisiss free, all of which have launched their maiden Shanghai-based stores for the first time. In addition, Social House on 4 & 5/F as a new concept integrating books, travel, wellness, design, cooking, etc has been bringing in new social elements and experience to the customers. The Grand Opening of Xintiandi Plaza is expected to be held in mid 2019.

RHXC’s rental and related income was RMB184 million for 2018, an increase of 28% compared to RMB144 million in 2017. THE HUB recorded a 25% of rental and related income growth in 2018 compared to 2017. The strong performance was due to stronger shoppers’ traffic and retail sales in 2018. KIC recorded 19% of rental growth in 2018. “University Avenue · Next Stop” connecting metro station Jiangwan Stadium of Line 10 to University Avenue had its opening in second half of 2017 contributing rental income for the full year of 2018.

Wuhan Xintiandi and HORIZON - South Shopping Mall achieved robust performance with rental and related income growing by 20% to RMB265 million in 2018 compared to 2017. Occupancy levels of the NOVA shopping mall at Foshan Lingnan Tiandi reached 99% since its grand opening in December 2016. Lingnan Tiandi Phase 2 upgrade was completed in 2018. In 2018, a total GFA of 48,463 sq.m. was leased to 27 new tenants for the new opening and 121 existing tenants' renewal. The rental and related income generated from these two properties reached RMB217 million in 2018, an increase of 37% compared to 2017 mainly from increased occupancy rate and other income of the NOVA shopping mall.

Among the retail portfolio managed by China Xintiandi Asset Management team, the Group completed over 1,100 leasing deals of which over 300 leases were new tenants. This includes several notable international and local brands which are entering China and the region for the first time. In 2018, the team organised over a thousand events for the portfolio which includes Shanghai Fashion Week, Xintiandi Design Week, Tiandi Restaurants Week, Tiandi World Music Festival, Xintiandi Festival by partnership with Edinburgh Fringe Showcase, LUMIÈRES SHANGHAI by partnership with Fête des Lumières Lyon and the new year Count-down Party, etc., and have been rolling out some of these events to our other projects. In addition, with the faster growing members at iTiandi loyalty program, more than 200 members-only events were organized in 2018. These events have increased footfall and raised retail sales. The shoppers' traffic and retail sales of the portfolio increased by 15% and 20%, respectively, compared to 2017.

New Office Products & Services

INNO KIC is one of multiple projects created by INNO Office, our new multiform office brand in China Xintiandi. INNO KIC aims to provide a complete life-cycle workspace solution for start-ups as well as small-to-medium and large enterprises. INNO KIC is located in the Xinjiangwan central business district of Yangpu District, Shanghai, with an above GFA of 45,700 sq.m.. The project introduces a new business social platform that integrates work, entrepreneurship, learning, and leisure, covering the four major product modules of INNO SOCIAL, INNO OFFICE, INNO WORK, and INNO STUDIO, as well as the two service systems of INNO SERVICE and INNO +. The ultimate objective of this project is to create a diversified working ecosystem that promotes the growth and development of enterprises.

The Group also seizes opportunities to manage third party assets, in particular to leverage on, and to introduce new asset management services to properties in prime locations that have preservation elements. These asset management initiatives include Nanjing INNO Zhujiang Lu, which is the first asset light project of the Group applying the INNO office concept. Nanjing INNO Zhujiang Lu has a total GFA of 16,000 sq.m., under a long-term lease contract with a third party landlord. The property has been under pre-leasing since late 2018. Nanjing Bai Zi Ting, the Group's second asset light project in Nanjing, has a total GFA of 45,000 sq.m. of retail, culture and leisure spaces. We are planning to launch the project for pre-leasing in 2019.

Investment Property Valuation

The carrying value of the completed investment properties of the Group (excluding hotels for operation and self-use properties) with a total GFA of 1,161,000 sq.m. was RMB41,960 million as of 31 December 2018. Of this sum, RMB968 million (representing 2.3% of the carrying value) arose from increased fair value during 2018. The properties located in Shanghai, Wuhan, Foshan and Chongqing, respectively contributed 69%, 17%, 10% and 4% of the carrying value. The increase was mainly contributed by Shanghai KIC with strong rental reversion achieved in 2018 and the completion of AEI of Shui On Plaza retail podium, which was repositioned as "Xintiandi Plaza" and held the soft opening in December 2018.

The carrying value of the investment properties under development at valuation for a total GFA of 45,000 sq.m. was RMB1,391 million as at 31 December 2018.

Except for the above-mentioned investment properties at valuation, the carrying value of the investment properties under development and for future development at cost was RMB5,749 million.

The table below summarises the carrying value of the investment properties at valuation as at 31 December 2018 together with the change in fair value for 2018:

Project	Leasable GFA	Increase /(decrease) in fair value for 2018	Carrying value as at 31 December 2018	Valuation gain /(loss) to carrying value
	sq.m.	RMB'million	RMB'million	
Completed investment properties at valuation				
Shanghai Taipingqiao				
Shanghai Xintiandi and Xintiandi Style	80,000	56	7,533	0.8%
Shui On Plaza (retail podium is renamed as Xintiandi Plaza after the AEI)	52,000	400	4,239	9.4%
THE HUB	263,000	13	8,944	0.1%
Shanghai KIC	243,000	522	8,066	6.5%
Wuhan Tiandi	238,000	9	7,157	0.1%
Foshan Lingnan Tiandi	151,000	-	4,325	-
Chongqing Tiandi	134,000	(32)	1,696	(1.9%)
Subtotal	**1,161,000**	**968**	**41,960**	**2.3%**
Investment properties under development at valuation				
INNO KIC	45,000	2	1,391	0.1%
Subtotal	**45,000**	**2**	**1,391**	**0.1%**
Grand total of investment properties at valuation	**1,206,000**	**970**	**43,351**	**2.2%**

Property Development

Recognised Property Sales

For 2018, the Group's total recognised property sales including general property sales, other asset disposals and disposal of investment properties was RMB22,150 million (after deduction of applicable taxes). Of the total recognised property sales, general property sales accounted for 32%, other asset disposal and disposal of investment properties accounted for 68%.

General property sales (after deduction of applicable taxes) recognised as revenue was RMB7,093 million, on a total GFA sold of 70,290 sq.m.. Average selling price ("ASP") (excluding other asset disposal) increased by 164% to RMB106,400 per sq.m. compared to 2017. The significant increase was mainly due to a higher proportion of property sales was from Shanghai Taipingqiao and Rui Hong Xin Cheng ("RHXC") projects, which accounted for 96% of total general property sales. The ASP for Lakeville Luxe in Shanghai Taipingqiao and RHXC increased by 7% and 13%, respectively, in 2018 compared to 2017.

RMB14,981 million of revenue recognised was contributed by the disposal of 49.5% effective interest of residential inventory in certain portfolio of properties in relation to Shanghai RHXC Lots 1 and 7. The disposal was accounted for the sales of property inventories in the ordinary course of the Group's property business. Revenue from the sales of properties under development for sale amounted to RMB14,981 million, representing a 99% interest held by the Group. The transaction was completed in 2018. The Group has a 49.5% effective interest in the portfolio.

RMB19 million was recognised as disposal of investment properties.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 2018 and 2017:

	2018			2017		
Project	**Sales revenue**	**GFA sold**	**ASP[1]**	**Sales revenue**	**GFA sold**	**ASP[1]**
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao	2,617	18,200	151,500	1,963	14,700	141,500
Shanghai RHXC						
Residential	3,721	39,000	101,000	7,609	90,000	89,400
Retail	19	450	44,400	671	16,400	43,200
Lot 3 Hotel	-	-	-	473	15,500	32,300
Wuhan Tiandi	-	-	-	1,154	40,600	30,100
Chongqing Tiandi						
Residential[2]	6	570	12,800	1,041	113,800	9,700
Retail	155	7,900	20,800	373	24,200	16,400
Foshan Lingnan Tiandi						
Residential	58	3,400	17,900	102	5,200	20,800
Retail	64	1,220	56,600	156	3,900	42,300
Subtotal	**6,640**	**70,740**	**99,200**	**13,542**	**324,300**	**44,200**
Carparks and others	472	-	-	563	-	-
Dalian Tiandi[3]	-	-	-	520	61,300	9,000
Subtotal	**7,112**	**70,740**	**106,400**	**14,625**	**385,600**	**40,300**
Other asset disposal:						
Shanghai RHXC[4]	14,981			9,915		
Chongqing Tiandi[5]						
Residential inventories	57			3,229		
Commercial	-			2,527		
Grand total	**22,150**			**30,296**		
Recognised as:						
- property sales in revenue of the Group[6]	22,131			16,169		
- disposal of investment properties[7]	19			1,144		
- disposal of property, plant and equipment	-			21		
- disposal of equity in subsidiaries holding commercial properties	-			12,442		
- revenue of associates	-			520		
Total	**22,150**			**30,296**		

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

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

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

4 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. Revenue from the sales of properties under development for sale amounted to RMB14,981 million, representing a 99% interest held by the Group. On 19 December 2017, the Group entered into an agreement to dispose of 49.5% interest in the Shanghai RHXC commercial partnership portfolio. The disposal was accounted for as disposal of equity in subsidiaries holding commercial properties. Sales revenue from the disposal accounted to RMB9,915 million, representing a 99% interest held by the Group.

5 For Chongqing Tiandi, the disposal was partially accounted for the sales of property inventories in the ordinary course of the Group's property business. In 2017, revenue from the sales of properties under development for sale amounted to RMB3,229 million, representing a 99% interest held by the Group. The remaining sales of RMB2,527 million represents "Disposal of equity in subsidiaries holding commercial properties". In 2018, revenue from the sales of properties under development accounting to RMB57 million was recognised due to the consideration adjustment.

6 Sales of commercial properties are recognised as "revenue" if the properties concerned are designated for sale prior to the commencement of development.

7 Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposal of investment properties".

Contracted Property Sales and Other Asset Disposal and Subscribed Sales

For 2018, the Group's total contracted sales including general property sales, other assets disposal and commercial property sales was RMB22,279 million, an increase of 4% compared to 2017. Of the total contracted sales, residential property sales accounted for 63%, other asset disposal accounted for 35%, with the remaining 2% contributed by disposal of investment properties. The ASP of residential property sales decreased by 11% to RMB40,300 per sq.m. in 2018, compared to RMB45,300 per sq.m. in 2017.

Contracted property sales from residential properties and carparks was RMB14,120 million, an increase of 63% over RMB8,676 million in 2017.

Under the tightened pre-sale permit policy environment, Shanghai Taipingqiao Lakeville Luxe (Lot 116) obtained the pre-sales permit in April 2018 for four high-rise residential towers with a total of 118 apartments. All of the apartments were launched for pre-sales in April 2018 for a total GFA of 42,300 sq.m.. With the prime location, right positioning of the product, high quality of delivery standard and the prestige sales and marketing program, all of the units were subscribed by customers on the day of the launch for a total sale amounted to RMB6.1 billion. The apartment selling prices ranged from approximately RMB37 million to RMB139 million.

Shanghai RHXC - The Gallery (Lot 2) obtained pre-sale permit in September 2018. One tower of residential apartments was launched for pre-sales for a total of RMB1.5 billion contracted.

In Wuhan Tiandi, the first batch of La Riva Ⅱ (Lot B10) with a total of 27,500 sq.m. was launched for pre-sales in late 2018 with almost all of the apartments sold on the day of launch. The total contracted sales of RMB903 million in 2018. Wuhan Optics Valley Innovation Tiandi has launched the first phase (Lot R1) with a total GFA of 37,400 sq.m. for pre-sales in late 2018. A total sales amount of RMB359 million was contracted.

Chongqing Tiandi also achieved strong pre-sales throughout the year for a total amount of RMB3,321 million contracted in 2018. Foshan Lingnan Tiandi launched for sales in early 2018 for a total contracted amount of RMB1,191 million.

Contracted commercial property sales for 2018 was RMB410 million for a total GFA of 10,500 sq.m.. The major contributions were from disposals of street front shops in Foshan.

The disposal of Dalian Tiandi project for a total contracted amount of RMB3,160 million was completed in May 2018. The disposal was recorded as contracted sales in other asset disposal in 2018.

On 26 June 2018, the Group entered into the agreement to the disposal of 49.5% effective interests in certain portfolio of properties in relation to Shanghai RHXC project Lots 1 & 7 for a total contracted amount of RMB4,589 million. The transaction allowed the Group to unlock value in these assets at a substantial profit and is aligned with the Group's Asset Light Strategy to enhance shareholders' return by cooperating with strategic partners to create synergies.

In addition to the contracted property sales and other asset disposal outlined above, as of 31 December 2018, a total GFA of 17,300 sq.m., producing a total value of RMB358 million, was subscribed subject to formal sales and purchase agreements.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 2018 and 2017:

Project	2018 Contracted amount	2018 GFA sold	2018 ASP	2017 Contracted amount	2017 GFA sold	2017 ASP
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao	6,102	42,500	143,600	1,389	9,500	146,200
Shanghai RHXC	1,733	17,000	101,900	4,529	44,700	101,300
Wuhan Tiandi	903	23,500	38,400	-	-	-
Chongqing Tiandi[1]	3,321	179,000	22,600	764	41,800	22,300
Foshan Lingnan Tiandi	1,191	63,100	18,900	99	4,600	21,500
Wuhan Optics Valley Innovation Tiandi	359	25,400	14,100	-	-	-
Dalian Tiandi[2]	-	-	-	1,184	91,100	13,000
Carparks and others	511	-	-	711	-	-
Subtotal for residential property sales	**14,120**	**350,500**	**40,300**	**8,676**	**191,700**	**45,300**
Commercial property sales:						
Shanghai RHXC						
Retail	31	600	51,700	111	2,100	52,900
Lot 3 Hotel	-	-	-	500	15,500	32,300
The Palette 2	-	-	-	579	11,700	49,500
Chongqing Tiandi						
Office	2	100	20,000	59	4,700	12,600
Retail	73	4,300	17,000	337	16,700	20,200
Foshan Lingnan Tiandi	304	5,500	55,300	132	3,000	44,000
Carparks and others	-	-	-	21	-	-
Subtotal for commercial property sales	**410**	**10,500**	**39,000**	**1,739**	**53,700**	**32,400**
Other asset disposal:						
Shanghai RHXC[3]	4,589			3,869		
Shanghai KIC	-			2,949		
Chongqing Tiandi	-			4,133		
Dalian Tiandi[2]	3,160			-		
Subtotal for other asset disposal	**7,749**			**10,951**		
Grand total	**22,279**			**21,366**		

[1] 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% of the partnership portfolio.

[2] On 14 November 2017, the Group entered into the agreement in relation to the disposal of its all interest in Dalian Tiandi. The transaction was completed on 14 May 2018 and the Group no longer holds any interest in Dalian Tiandi.

[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 for a total contracted amount of RMB4,589 million.

Residential GFA Available for Sale and Pre-sale in 2019

The Group has approximately 406,800 sq.m. of residential GFA spanning five projects which, subject to obtaining pre-sale permits and other relevant government approvals, is available for sale and pre-sale during 2019, as summarised below:

Project		**Available for sale and pre-sale in 2019**		
		GFA in sq.m.	Group's interest	Attributable GFA in sq.m.
Shanghai RHXC	High-rises	117,200	49.5%[1]	60,100
Wuhan Tiandi	High-rises	91,400	100%	91,400
Foshan Lingnan Tiandi	Townhouses, Low-rises and High-rises	13,300	100%	13,300
Wuhan Optics Valley Innovation Tiandi	High-rises	119,100	50%	59,600
Chongqing Tiandi	High-rises	65,800	19.8%	13,000
Total		**406,800**		**237,400**

[1] *GFA of 4,200 sq.m.in Shanghai RHXC - The Gallery (Lot 2) in which the Group has a 99% effective interest.*

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, Chongqing and Foshan.

Residential Properties Under Development

Shanghai Taipingqiao
Lakeville Luxe (Lot 116) has a total residential apartment with saleable GFA of 94,000 sq.m. was completed as of 31 December 2017. A total GFA of 45,000 sq.m. (including underground GFA of 1,400 sq.m.) was delivered to the buyers in 2016 and 2017. The remaining portion was launched for pre-sales in April 2018 with all apartments sold on the date of launch for a total amount of RMB6,102 million. A total GFA of approximately 23,500 sq.m. (including underground GFA of 5,300 sq.m.) was delivered to the buyers in 2018 while the remaining portion planned for delivery in 2019. The Group has a 98% effective interest. Lot 118 with a total saleable GFA of 79,000 sq.m. for residential use is under development. Pre-sales is planned to start from the first half of 2020. The Group has a 99% effective interest.

Shanghai RHXC
Construction works of The Gallery (Lot 2), with a total GFA of 104,000 sq.m. of residential and 1,000 sq.m. of ancillary retail space, was completed in 2017. A total GFA of 38,200 sq.m. was delivered to the buyers in 2018 for a total revenue of RMB3,682 million recorded. The third batch with a total GFA of 15,000 sq.m. was launched for pre-sale in September 2018. All apartments launched were sold on the day of launch with a total of RMB1.5 billion in contracted sales recorded in 2018. The Group has 99% effective interest.

Lot 1 with a total GFA of 113,000 sq.m. for residential use with the remaining GFA of 3,000 sq.m. for retail use started construction in 2018. Pre-sales of the residential segment is planned for late 2019. The relocation of Lot 7 with a total GFA of 159,000 sq.m. was completed in February 2019. The Group has a 49.5% effective interest in both sites.

Wuhan Tiandi
Lot B10 is under development with a total GFA of 115,000 sq.m.. A total of 27,500 sq.m. was launched for pre-sales in late 2018 with almost all of the apartments sold/subscribed on the day of launch for a total contracted sales of RMB903 million in 2018. The remaining portion is planned for pre-sales launch in 2019. Lot B10 is planned for completion and delivery in 2020. The Group has a 100% effective interest.

Wuhan Optics Valley Innovation Tiandi
The site was acquired in 2017. The first phase (Lot R1) with a total GFA of 122,000 sq.m. is under construction. A total of 37,400 sq.m. was launched for pre-sales in late 2018, for a total contracted sales amount of RMB359 million in 2018. The remaining portion of the first phase is planned to be launched for pre-sales in 2019. The Group has a 50% effective interest.

Chongqing Tiandi
The Group sold 79.2% effective interest in the Chongqing Partnership Portfolio in June 2017. Lot B15 with a total saleable GFA of 209,000 sq.m. is under construction. Lot B14 with a total saleable GFA of 88,000 sq.m. is under development. Pre-sales was launched in late 2018. The construction work will be completed in 2020. Total contracted sales of Lots B15 and B14 were RMB3,321 million in 2018. The Partnership Portfolio is an associate of the Group. The Group has 19.8% of the Partnership Portfolio.

Foshan Lingnan Tiandi
The Royal (Lots 2 and 3) with a total GFA of 72,000 sq.m. was completed and various pre-sales launched in 2018. The Group has a 100% effective interest.

Commercial Properties under Development

Shanghai Taipingqiao
The Asset Enhancement Initiatives of retail space with a total GFA of 28,000 sq.m. at Shui On Plaza was completed and held its soft opening in December 2018 and renamed as "Xintiandi Plaza". Construction of Lots 123,124 and 132 is planned for commencement in 2019. The site is planned to be developed into three office buildings and a shopping mall. The Group has a 25% effective interest.

Shanghai RHXC
Hall of the Sun (Ruihong Tiandi Lot 10) with a total leasable GFA of 328,000 sq.m. started construction in 2017. It will be developed into a commercial complex with two Grade-A office buildings and a shopping mall. Construction is planned to be completed from 2020 to 2021. The Group has a 49.5% effective interest.

INNO KIC
Two office buildings with a total GFA of 45,000 sq.m. were acquired on a bare shell basis in late 2017. Internal fitting out work was commenced in early 2018 and is planned for completion and opening in 2019. The Group has a 100% effective interest.

Wuhan Tiandi
Construction work of Lot A1 office building with a total GFA of 160,000 sq.m. resumed in late 2018. HORIZON - North Shopping Mall (Lot B4 Retail) is undergoing internal fitting out and pre-leasing, with soft opening planned in April 2019. The Group has a 100% effective interest in both properties.

By way of a cautionary note, the actual completion date and launch date 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 implemented operational tactics to enhance turnover and increase development efficiency. The Group will, nevertheless, adjust the progress of construction, delivery plan and launch schedules, in accordance with the sales conditions of each project, and with respect to the rapid changing market conditions.

Landbank

As at 31 December 2018, the Group's landbank, including contributions from the joint ventures, partnership portfolios and associates, stood at a total GFA of 8.5 million sq.m. (comprising 6.8 million sq.m. of leasable and saleable area, and 1.7 million sq.m. for clubhouses, car parking spaces and other facilities) spread across nine development projects located in the prime areas of four major PRC cities, namely: Shanghai, Wuhan, Chongqing and Foshan. The leasable and saleable GFA attributable to the Group was 4.3 million sq.m..

Of the total leasable and saleable GFA of 6.8 million sq.m., approximately 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 2.0 million sq.m. is under development, with the remaining 3.3 million sq.m. held for future development.

Relocation Project

As of 31 December 2018, the relocation of Lots 7 and 167 A and B in Shanghai RHXC is in progress. 99.75% and 97.85% of residents of Lot 7 and Lots 167 A and B sites have signed relocation agreements, respectively. Lot 167 A will be developed into high-end residential apartments and Lot 167 B will be developed into a commercial complex with office buildings and retail podium. The relocation of Lot 7 was completed in February 2019 and Lot 167 is expected to be completed in 2019.

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

The Group's total landbank as at 31 December 2018, 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 salable GFA
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
Completed properties:									
Shanghai Taipingqiao	25,000	36,000	104,000	-	**165,000**	79,000	**244,000**	99.00%[1]	153,000
Shanghai RHXC	10,000	-	112,000	-	**122,000**	104,000	**226,000**	99.00%[2]	66,000
Shanghai KIC	-	164,000	63,000	22,000	**249,000**	147,000	**396,000**	44.27%[3]	116,000
THE HUB	-	93,000	170,000	-	**263,000**	72,000	**335,000**	100.00%	263,000
Wuhan Tiandi	-	-	238,000	-	**238,000**	219,000	**457,000**	100.00%	238,000
Chongqing Tiandi	-	-	142,000	-	**142,000**	246,000	**388,000**	99.00%	140,000
Foshan Lingnan Tiandi	66,000	16,000	160,000	43,000	**285,000**	156,000	**441,000**	100.00%	285,000
Subtotal	101,000	309,000	989,000	65,000	**1,464,000**	1,023,000	**2,487,000**		**1,261,000**
Properties under development:									
Shanghai Taipingqiao	79,000	-	-	-	**79,000**	33,000	**112,000**	99.00%	78,000
Shanghai RHXC	271,000	157,000	184,000	-	**612,000**	158,000	**770,000**	49.50%	303,000
Wuhan Tiandi	115,000	160,000	-	-	**275,000**	85,000	**360,000**	100.00%	275,000
Chongqing Tiandi	462,000	259,000	114,000	25,000	**860,000**	227,000	**1,087,000**	19.80%	170,000
Foshan Lingnan Tiandi	50,000	-	7,000	-	**57,000**	-	**57,000**	100.00%	57,000
INNO KIC	-	41,000	4,000	-	**45,000**	18,000	**63,000**	100.00%	45,000
Wuhan Optics Valley Innovation Tiandi	121,000	-	1,000	-	**122,000**	53,000	**175,000**	50.00%	61,000
Subtotal	1,098,000	617,000	310,000	25,000	**2,050,000**	574,000	**2,624,000**		**989,000**
Properties for future development:									
Shanghai Taipingqiao	86,000	197,000	139,000	38,000	**460,000**	88,000	**548,000**	99.00%[4]	231,000
Shanghai RHXC	83,000	106,000	43,000	-	**232,000**	1,000	**233,000**	49.00%	114,000
Wuhan Tiandi	135,000	166,000	94,000	-	**395,000**	-	**395,000**	100.00%	395,000
Chongqing Tiandi	225,000	-	165,000	-	**390,000**	30,000	**420,000**	19.80%	77,000
Foshan Lingnan Tiandi	27,000	450,000	107,000	80,000	**664,000**	-	**664,000**	100.00%	664,000
Wuhan Optics Valley Innovation Tiandi	322,000	637,000	196,000	-	**1,155,000**	1,000	**1,156,000**	50.00%	577,000
Subtotal	878,000	1,556,000	744,000	118,000	**3,296,000**	120,000	**3,416,000**		**2,058,000**
Total landbank GFA	**2,077,000**	**2,482,000**	**2,043,000**	**208,000**	**6,810,000**	**1,717,000**	**8,527,000**		**4,308,000**

1 *The Group has a 99.00% interest in all the remaining lots, except for Shanghai Xintiandi, Shui On Plaza, 15th floor in Shui On Plaza and Lot 116, in which the Group has an effective interest of 100.00%, 80.00%, 100.00% and 98.00%, respectively.*

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

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

4 *The Group has a 25.00% interest in Lots 123,124 and 132. For Lots 119,120 & 122 are yet to commence relocation.*

FINANCIAL REVIEW

Profit attributable to shareholders of the Company for the year 2018 was RMB1,906 million, an increase of 14% compared to the corresponding period (2017: RMB1,669 million).

Core earnings of the Group are as follows:

	2018 RMB'million	2017 RMB'million	Change
Profit attributable to shareholders of the Company	**1,906**	1,669	14%
Net increase in fair value of the remaining investment properties, net of tax	**(736)**	(389)	
Realised fair value gains from investment properties disposed of	**6**	851	
Realised bargain purchase gain from acquisition of subsidiaries	**115**	256	
Impairment loss on investment properties under development at cost	**380**	-	
Impairment loss on investment in a joint venture	**376**	-	
Share of results of associates			
- realised fair value gains from investment properties disposed of /fair value losses of investment properties, net of tax	**374**	183	
Share of results of joint ventures			
- fair value gains of investment properties, net of tax	**(61)**	-	
	454	901	(50%)
Non-controlling interests	**329**	4	
Net effect of changes in the valuation	**783**	905	(13%)
Profit attributable to shareholders of the Company before revaluation	**2,689**	2,574	4%
Add:			
Profit attributable to owners of convertible perpetual capital securities	**112**	114	(2%)
Profit attributable to owners of perpetual capital securities	**259**	459	(44%)
Core earnings of the Group	**3,060**	3,147	(3%)

Earnings per share was RMB23.7 cents, which was calculated based on a weighted average of approximately 8,043 million shares in issue for the year 2018 (2017: RMB20.8 cents, which was calculated based on a weighted average of approximately 8,018 million shares in issue).

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

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

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

Having taken into consideration that the Group's financial position and improved cashflow, the Board has resolved to recommend the payment of a 2018 final dividend of HKD0.084 per share (2017: HKD0.07 per share).

Major Acquisition and Disposal

The Group has pursued an asset light strategy to dispose its assets to increase asset revenue over the past few years. In 2018, the Group also forged partnerships with strategic partners to develop both residential and commercial properties. These transactions will help accelerate the Company's strategic transition to a leading commercial focused property developer, owner and asset manager in China.

The details are as follows:

1) In June 2018, the Group entered into an agreement with Joy City Property Limited, a listed company in Hong Kong, to sell 49.5% interest in the Shanghai RHXC Residential Partnership Portfolio (i.e. Lots 1 and 7) for a consideration of around RMB4,623 million. The Group and Joy City Property Limited will cooperate to develop this residential partnership portfolio. For details pertaining to the disposal of the Shanghai RHXC Residential Partnership Portfolio, please refer to the Company's circular dated 18 July 2018.

2) In July 2018, the Group entered into an agreement with two parties (i.e. China Pacific Life Insurance Company Limited and Shanghai Yongye Enterprise (Group) Company Limited) which resulted in the Group owning a 25% interest in Shanghai Taipingqiao Lots 123,124 and 132. The investment is approximately RMB19.5 billion of which include land costs amounted to RMB13.61 billion. For details, please refer to the circular issued by the Company dated 26 July 2018.

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

4) In December 2018, the Group has established Shui On Core-Plus Office Investment Platform with Manulife Investors and China Life Trustees Limited. The targeted total capital commitment of the office investment platform is USD1.0 billion. The office investment platform's first investment is the prime Grade A office building with an ancillary retail podium and carparks in Taipingqiao, Shanghai, known as 5 Corporate Avenue. For details, please refer to the Company's announcement dated 31 December 2018.

Liquidity, Capital Structure and Gearing Ratio

Up to the date of this report, the Group has arranged two repayments/redemptions of senior notes, two new issuances of senior notes and one new issuance of receipts under securitisation arrangements. The purpose of refinancing and redemption is to take advantage of the lower finance costs and to extend the maturity of senior notes. The details are as follows:

1) In December 2017 and January 2018, the Group has fully redeemed senior notes with principal amount of USD550 million due 2019 at a yield of 9.625% per annum with a redemption price equal to 104.813% of the total amount plus the accrued and unpaid interest. The total amount for such redemption is equivalent to RMB3,810 million.

2) In March and April 2018, the Group issued an aggregate principal amount of RMB2,200 million senior notes due 2021 at a yield of 6.875% per annum.

3) In May 2018, the Group has fully repaid an aggregate principal amount of USD637 million senior notes at a yield of 8.7% per annum.

4) In November 2018, Foshan An Ying Property Development Co., Ltd, a wholly-owned subsidiary of the Company, issued receipts under securitisation arrangements with the final maturity date in 2036 with a net proceeds of RMB524 million.

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

The structure of the Group's borrowings as of 31 December 2018 is summarised below:

	Total (in RMB equivalent)	Due within one year	Due in more than one year but not exceeding two years	Due in more than two years but not exceeding five years	Due in more than five years
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	13,644	5,577	2,761	1,684	3,622
Bank borrowings – HKD	3,726	3,376	87	263	-
Bank borrowings – USD	8,951	3,829	3,256	1,866	-
Senior notes – USD	5,193	1,722	-	3,471	-
Senior notes – RMB	2,231	-	-	2,231	-
Receipts under securitisation arrangements – RMB	524	5	7	40	472
Total	**34,269**	**14,509**	**6,111**	**9,555**	**4,094**

Total cash and bank deposits amounted to RMB15,392 million as of 31 December 2018 (31 December 2017: RMB16,760 million), which included RMB2,288 million (31 December 2017: RMB2,153 million) of deposits pledged to banks and RMB3,348 million (31 December 2017: RMB1,013 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2018, the Group's net debt was RMB18,877 million (31 December 2017: RMB24,939 million) and its total equity was RMB47,219 million (31 December 2017: RMB49,175 million). The Group's net gearing ratio was 40% as of 31 December 2018 (31 December 2017: 51%), calculated based on the excess of the sum of senior notes, receipts under securitisation arrangements, bank borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity. The Group's solid balance sheet should enable it to weather any normal market volatility that may arise.

As of 31 December 2018, HKD/USD borrowings including senior notes (unhedged) amounted to approximately RMB8,607 million in equivalent, which is around 25% of the total borrowings (31 December 2017: 21%).

Total undrawn banking facilities available to the Group amounted to approximately RMB2,539 million as of 31 December 2018 (31 December 2017: RMB2,380 million).

Pledged Assets

As of 31 December 2018, the Group had pledged investment properties, property, plant and equipment, prepaid lease payments, properties under development for sale, properties held for sale, accounts receivable and bank deposits totalling RMB37,036 million (31 December 2017: RMB44,741 million) to secure the Group's borrowings of RMB11,280 million (31 December 2017: RMB18,304 million).

Capital and Other Development Related Commitments

As of 31 December 2018, the Group had contracted commitments for development costs, capital expenditure and other investments in the amount of RMB3,501 million (31 December 2017: RMB2,750 million).

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

The Group's revenue is denominated in RMB. The RMB senior notes issued in 2018 are also denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the senior notes issued in 2018 does not expose the Group to any exchange rate risk.

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and CPCS denominated in USD issued from 2015 to 2017. 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 2018, the Group has entered approximately USD954 million forward to hedge the USD currency risk against RMB and HKD1,050 million forward to hedge the HKD currency risk against RMB. In addition, from 1 January 2019 till today, the Group has further entered USD580 million and HKD300 million forward to hedge the USD and HKD currency risk against RMB.

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

Save for disclosed above, as of 31 December 2018, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if necessary.

Contingent Liabilities

Temporary guarantees are provided to banks with respect to mortgage loans procured by some purchasers of the Group's properties. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or the repayment of mortgage loan by the purchasers, whichever is earlier. In the opinion of the Board, the fair value of these financial guarantee contracts is insignificant.

MARKET OUTLOOK

Global economic expansion is losing momentum following the emergence of cycle de-synchronization in 2018. There has been a notable uptick of populism and social unrest in South America, the Middle East and throughout Europe, reflecting fragility of the current economic recovery. While last year the world achieved a robust 3.7% growth, there were rising signs of policy inaction and political gridlock, which has led the IMF to downgrade the economic prospects of several key Eurozone economies including Germany, France, and Italy. In addition, a possible "no-deal" Brexit, worsening US-China relation, and tightening financial conditions will erode business confidence, and the ensuing rise in risk sentiment could have adverse implications on this year's economic performance.

Against this backdrop, China's GDP growth softened to 6.6% in 2018 as the government pushed through a deleveraging campaign. Fixed asset investment slowed from 7.2% in 2017 to 5.9% in 2018, while retail sales dropped from 10.3% to 9.0%. In the first ten months of 2018, China exports and imports soared as traders rushed to fulfil orders to avoid steeper tariff, but trade volume fell in December due to cooling demand. This is likely to get worse if a deal to resolve the trade dispute between the US and China is not reached very soon. The RMB depreciated 4.79% against US dollar amid persistent trade tension in 2018, but with the US Fed policy turning dovish, the exchange rate has stabilized at around 6.75 – 6.8 in January despite mounting uncertainties.

China residential sales area and revenue reached a record high of 1.48 billion square meters and RMB12.64 trillion in 2018, representing respective annual increases of 2.2% and 14.7%. The government will continue to establish a long term housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages rental market to be developed along with home ownership. There are growing signs that housing demand is weakening towards 2018 year end and several cities have started to loosen some of the property control measures. With housing policy turning supportive and mortgage rate falling, tier one and strong tier two cities should continue to maintain stable transaction level this year. However, several provinces and municipalities including Beijing, Fujian, Anhui, Sichuan, Henan and Shanxi have announced plans to scale back their shantytown redevelopment programs, and this could lead to reduced demand as the housing market reached a turning point in 2019.

In 2018, China's office leasing momentum moderated in line with a slower pace of economic growth. Despite government's efforts to further open the financial sector to foreign investment, the clamp down on domestic P2P lending activities has reduced leasing demand from the small and medium finance companies. While Grade A office leasing demand in tier one cities in China is expected to remain stable in longer-term, excess supply across many tier two cities means that rising vacancy will continue to suppress office rental growth this year, for projects in non-core areas. For retail commercial markets, there is rising competition from numerous new shopping mall supply together with online and omni-channel competitors. Many retail operators have moved to create new consumer experiences through adopting new business model and experimenting with new technology, introducing new brands and adjusting tenant mixes to keep up with fast changing consumer lifestyle and tastes. According to CBRE, despite the large volume of new supply, overall shopping centre vacancy in China declined from 9.5% in 2013 to 6.5% in 2018. The recent cuts in import tariffs and personal income tax are expected to provide a boost to China's domestic consumption for 2019.

After achieving a healthy pace of 6.6% economic growth in 2018, Shanghai government has announced a 6%-6.5% growth target for 2019. Recent steps to encourage foreign investment in finance, healthcare and education are set to stimulate services sector growth this year. Investment in infrastructure and industrial upgrading will increase with the Yangtze River Delta (YRD) integration initiatives elevated to become a national development strategic priority. This should bring more regional traffic and trade flows through the Hongqiao CBD. The proposed establishment of a new technology board in Shanghai should bode well for domestic technology enterprises, especially those located in the Yangtze Delta.

Wuhan attracted fixed assets investment of RMB860 billion in 2018, which helped to propel the city's economic growth to 8.0%. The city aims to transform itself into a major regional hub city, assuming multiple roles as national science and technology innovation centre, modern services centre, advanced manufacturing centre, comprehensive transportation centre, and international waterfront cultural city. In 2019, Wuhan will continue its university graduates and talent retention program to enhance city competitiveness. Major investment will be undertaken to further revamp the Yangtze River Axis and to develop the Yangtze River New Town in Hankou.

Chongqing, an economic powerhouse in southwestern China that has led regional growth in recent years, is facing transition challenges as the municipality shift towards a high-quality growth model. In 2018, Chongqing's GDP growth slowed to 6.0% due to slackening automobile sales, which resulted in its secondary industry growth dropping to 3.0%. The tertiary industry maintained robust growth of 9.1% and accounted for 52.3% of the municipality's GDP, a notable improvement from the 49.0% share achieved in the previous year. Benefiting from its regional hub position, Chongqing's finance and tourism sectors have continued to show promising growth. In order to pursue an innovation-driven growth model, the government has released new plans to speed up development of new energy, artificial intelligence and autonomous vehicles, and successfully hosted a national 2018 Smart China Expo event.

Foshan's economic growth decelerated to 6.3% in 2018. The city is transitioning towards an innovation-driven development model; and aims to develop Sanlong Bay near Guangzhou South Railway Station into a high-end innovation cluster. Apart from the Tanzhou International Exhibition Centre, Sanlong Bay also provides headquarter functions for Country Garden, the Midea Group, and Guangzhou advanced manufacturing science and technology laboratory. Foshan is seen to benefit from the recent opening of the Guangzhou-Shenzhen-Hong Kong high-speed railway in September 2018, making it conveniently accessible from Hong Kong via Guangzhou South Railway Station or Foshan West Railway Station.

The economy of Nanjing expanded at around 8% in 2018, and has set a 7.5%-8% growth target for 2019. The city's development is seen to benefit from the national 'Belt and Road', 'Yangtze River Economic Belt' and 'Regional Integration of Yangtze River Delta' strategies. In line with the city's ambition to become an innovative city having global influence, the government has set its R&D expenditure to GDP ratio at 3.1% for 2019. Future development opportunities will arise from the Jiangbei New Area, which is earmarked to become a modern, international and innovation-oriented demonstration zone. According to the development blueprint, Jaingbei's core area will feature a central business district, a healthcare district and an industrial research and development park.

Sino-US trade tension, export under pressure, and a housing market operating at the peak all time high are the key challenges affecting China's economic outlook for 2019. In order to maintain stable growth, the government has announced a comprehensive economic work plan and is expected to implement proactive fiscal policy and prudent monetary policy this year to stimulate domestic demand. In view of a slowdown in economic growth, the local government will be given more leeway to loosen housing control restrictions based on local circumstances, with a stated goal of "stabilization of land and home prices", but will continue to maintain a firm grip to prevent speculation in the housing market. 2019 is shaping up to be an uncertain and challenging year, and we will closely monitor changes in the global and domestic markets, and will make adaptation as necessary to the evolving market environment.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HKD0.084 per share for the year ended 31 December 2018 (2017: HKD0.07), amounting to approximately RMB593 million (2017: RMB461 million) in aggregate. Subject to shareholders' approval of the final dividend at the forthcoming annual general meeting to be held on 31 May 2019 ("AGM"), the final dividend is expected to be paid on or about 21 June 2019 to shareholders whose names appear on the register of members of the Company on 6 June 2019, being the record date. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 6 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 20 May 2019 to Friday, 31 May 2019 (both dates inclusive) during which period no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on Friday, 17 May 2019 shall be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

On 10 June 2014, SODH issued USD550 million in 9.625% senior notes due 2019 (the "2019 SODH Notes"). On 28 December 2017, SODH partially redeemed USD300 million of the outstanding 2019 SODH Notes with the aggregate principal amount of USD550 million on a pro rata basis and paid the redemption price plus the accrued and unpaid interest. Upon such redemption, the outstanding principal amount of 2019 SODH Notes was USD250 million. On 22 January 2018, SODH further redeemed the outstanding 2019 SODH Notes with the aggregate principal amount of USD250 million and paid the redemption price plus the accrued and unpaid interest. Upon completion of the redemption, the 2019 SODH Notes were cancelled.

On 19 May 2014, SODH issued USD637,027,000 in 8.700% senior notes due 2018 (the "2018 SODH Notes"). SODH had fully repaid the principal amount of the outstanding 2018 SODH Notes together with the accrued and unpaid interest upon its maturity on 19 May 2018.

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 2018.

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices appropriately in the conduct and growth of its business, and to pursuing the right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with all the applicable code provisions (the "CG Code") as set out in Appendix 14 of the Listing Rules and aligns its practices with the latest developments of the CG Code. During the year ended 31 December 2018, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code. Further information on the Company's corporate governance practices is set out in the Company's 2018 Annual Report.

The Audit and Risk Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2018, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2018, the number of employees in the Group was 3,129 (31 December 2017: 3,219); which included the headcount of China Xintiandi at 511 (31 December 2017: 435), the headcount of the property management business at 1,566 (31 December 2017: 1,635), the headcount of the construction and fitting out business at 248 (31 December 2017: 266). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as of 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

THANK YOU

My heartfelt thanks go to my fellow Board members, our management and employees, as well as business partners, for their support throughout the year.

Now, more than ever before in recent years, we see many challenges ahead. Given the deteriorating global business environment, we need to maintain the Group's prudent approach, strengthen our balance sheet further and deepen our relationship with partners. The bottom line is that we have a good strategy in place that is starting to pay off, and we are poised to capture asset acquisition opportunities at attractive prices when they arise.

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

Hong Kong, 20 March 2019

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

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

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

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

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

** For identification purposes only*