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 2019 Annual Results

HIGHLIGHTS

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

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

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

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

Website: www.shuionland.com

PERFORMANCE HIGHLIGHTS

	2019	2018	Year-on-Year Growth/ (Decline)
Consolidated rental and related income generated from the commercial portfolio (RMB'million)	**2,251**	**2,016**	**12%**
Total rental and related income, including joint ventures and associates (RMB'million)	**2,573**[1]	**2,200**[1]	**17%**
Contracted sales (RMB'million)	**12,501**	**22,279**	**(44%)**
Contracted sales, excluding other asset disposal (RMB'million)	**12,501**	**14,530**	**(14%)**
Selected Financial Information (RMB'million)			
Revenue	10,392	24,841	(58%)
Gross profit	5,313	7,145	(26%)
Profit for the year	2,545	2,686	(5%)
Profit attributable to shareholders of the Company	1,932	1,906	1%
Core earnings	2,323	3,060	(24%)
Selected Financial Ratios			
Gross profit margin	51%	29%	22ppt
Net profit margin	24%	11%	13ppt
Earnings per share (basic), RMB cents	24.0	23.7	1%

Selected Balance Sheet Data (RMB'million)	**31 December 2019**	**31 December 2018**	**Changes**
Total assets	108,416	110,250	(2%)
Cash and bank deposits	11,859	15,392	(23%)
Total indebtedness	37,741	34,269	10%
Net debt	25,882	18,877	37%
Total equity	49,307	47,219	4%
Net gearing (Net debt-to-equity ratio), at the end of year	52%	40%	12ppt
Average cost of indebtedness, at the end of year	5.4%	5.5%	(0.1ppt)
Landbank (GFA, million sq.m.)			
Total leasable and saleable landbank	6.7	6.8	(1.5%)
Attributable leasable and saleable landbank	4.3	4.3	-

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

BUSINESS REVIEW

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

KEY ACHIEVEMENTS IN 2019

- Acquisition of two new land/projects in Shanghai in late October and early November 2019 for a total consideration of RMB5.7 billion, comprising:
  - Four residential sites in Qingpu District, with a total GFA of 176,000 sq.m. which will provide new residential sales resources from 2021. The four sites are slated for development into a new residential project – Shanghai Panlong Tiandi.
  - A commercial site in Putuo District with a total GFA of 63,000 sq.m., which is poised to enhance the Group's presence in the Shanghai commercial market. The project has been named Shanghai Hong Shou Fang.

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

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

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

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

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

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

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

A LEADING MARKET PLAYER IN SHANGHAI COMMERCIAL REAL ESTATE

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

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

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

INVESTMENT PROPERTY PERFORMANCE

Rental and Related Income, Occupancy Rate of the Investment Properties

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

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

Notes:

[1] A total leasable GFA of 15,000 sq.m. was under AEI since March 2019 and was excluded from the above table.
[2] AEI of XINTIANDI PLAZA with a total leasable GFA of 28,000 sq.m. was completed in late 2018 and the grand opening was held in May 2019.
[3] INNO KIC was newly opened in April 2019.
[4] North Hall of Wuhan Tiandi HORIZON with a total GFA of 72,000 sq.m. held the grand opening in November 2019.
[5] Foshan Lingnan Tiandi Phase 3 with a total leasable GFA of 6,000 sq.m. was completed in the late 2019. It will be leased out in 2020 and was excluded from the above table. Shui On New Plaza (Lot D retail) with a total of 15,000 sq.m. was also excluded from the above table.
[6] Occupancy rate of Chongqing Tiandi area and 6 & 7 Corporate Avenue retail podium was 68%. 8 Corporate Avenue retail podium with a total GFA of 31,000 sq.m. is undergoing repositioning and tenant upgrades.
[7] Nanjing INNO Zhujiang Lu has been under pre-leasing since 2H 2018. It is an asset light project under management by the Group.
[8] The Group held 49.5% effective interest in the property. Rental and related income attributable to the Group was RMB88.6 million in 2019 and RMB91.1 million in 2018. Palette 3 with a total leasable GFA of 13,000 sq.m. was under AEI and was excluded from the above table.
[9] The acquisition of 5 CA was completed on 20 June 2019. The Group held 44.55% effective interest of the property as of 31 December 2019. Rental and related income of the property for 2019 was RMB269 million. The rental and related income after the completion was RMB143 million. Rental and related income attributable to the Group was RMB63.7 million in 2019.
[10] A total GFA of 16,000 sq.m. located at Shanghai Shui On Plaza, Shanghai KIC and Foshan Lingnan Tiandi were occupied by the Group and were excluded from the above table.

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

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

Building First in China, First in City Experiences

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

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

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

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

Performances by Major Projects

Shanghai Taipingqiao:

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

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

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

Other Shanghai Projects:

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

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

Wuhan Tiandi:

Wuhan Tiandi achieved a robust performance with rental and related income growing by 29% to RMB341 million compared to RMB265 million in 2018. The strong performance was enhanced by **North Hall of Wuhan Tiandi HORIZON** (Lot B4 Retail) which held a grand-opening on 9 November 2019 with 97% of GFA leased as of 31 December 2019. The “Garden-Themed and Designed “ shopping mall is positioned to create a healthy and green lifestyle for middle class and young families living in the neighbourhood.

Foshan Lingnan Tiandi:

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

Chongqing Tiandi:

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

Nanjing INNO Zhujiang Lu:

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

Valuation of the Investment Property Portfolio

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

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

Project	**Leasable GFA**	**Increase /(decrease) in fair value for 2019**	**Carrying value as of 31 December 2019**	**Valuation gain /(loss) to carrying value**	**Attributable carrying value to the Group**
	sq.m.	RMB'million	RMB'million		RMB'million
Completed investment properties at valuation					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style	65,000	1	6,576	0.0%	6,556
Shui On Plaza (Office) and XINTIANDI PLAZA	52,000	41	4,281	1.0%	3,467
THE HUB	263,000	13	8,966	0.1%	8,966
Shanghai KIC	243,000	167	8,232	2.0%	3,803
INNO KIC	45,000	6	1,427	0.4%	1,427
Wuhan Tiandi	238,000	13	7,179	0.2%	7,179
Foshan Lingnan Tiandi	157,000	60	4,445	1.3%	4,445
Chongqing Tiandi	131,000	(50)	1,782	(2.8%)	1,764
Subtotal	**1,194,000**	**251**	**42,888**	0.6%	**37,607**
Investment properties under development at valuation					
Shanghai Taipingqiao					
XTD South Block AEI[1]	15,000	11	1,044	1.1%	1,044
Shanghai Hong Shou Fang	63,000	-	1,871	-	1,871
Investment property - sublease of right-of-use assets					
Nanjing INNO Zhujiang Lu	16,000	(6)	113		113
Grand Total	**1,288,000**[2]	**256**	**45,916**		**40,635**

Notes:

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

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

PROPERTY SALES PERFORMANCE

Recognised Property Sales

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

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

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

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

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

Notes:

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

[2] *ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Residential sales of RMB3,441 million and ancillary retail space of RMB60 million were contributed by Chongqing Tiandi partnership portfolio and were recognised as revenue of associates. The Group holds 19.8% interests in the partnership portfolio.*

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

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

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

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

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

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

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

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

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

Notes:

1 *The Group held 49.5% of the properties.*

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

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

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

Residential GFA Available for Sale and Pre-sale in 2020

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

Project		Available for sale and pre-sale in 2020		
		GFA in sq.m.	Group's interest %	Attributable GFA in sq.m.
Shanghai Taipingqiao Lot 118	High-rises	78,500	99%	77,700
Shanghai RHXC Lot 2	Townhouses/high-rises	1,300	99%	1,300
Shanghai RHXC Lot 1	High-rises	68,100	49.50%	33,700
Wuhan Tiandi	High-rises	39,300	100%	39,300
Wuhan Optics Valley Innovation Tiandi	High-rises	50,900	50%	25,500
Foshan Lingnan Tiandi	High-rises	41,800	100%	41,800
Chongqing Tiandi	High-rises	82,800	19.80%	16,400
Total		**362,700**		**235,700**

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

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

PROPERTY DEVELOPMENT

Residential Properties under Development

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

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

Wuhan Tiandi **-** La Riva II (Lot B10) is under construction and is planned to be developed into high-rise residential apartments with a total GFA of 114,000 sq.m.. A total of 27,500 sq.m. was launched for pre-sale in late 2018 and another 52,500 sq.m. was launched for pre-sale in 2019. The remaining portion is planned for launch in 2020.

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

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

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

Commercial Properties under Development

Shanghai Taipingqiao **-** Lots 123,124 &132 held a ground-breaking ceremony in September 2019. The sites will be developed into a commercial complex comprising three grade-A office towers with a total GFA of 192,000 sq.m. and a total GFA of 88,000 sq.m. to be developed into all-weather street style shopping mall, named Tai Ping Yang Xintiandi. The construction of the office towers is planned for completion from 2022 to 2024 in phases and the shopping mall is planned to be completed in 2023. The Group holds 25% interests in the development.

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

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

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

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

LANDBANK

As of 31 December 2019, the Group’s landbank was 8.8 million sq.m. (comprising 6.7 million sq.m. of leasable and saleable area, and 2.1 million sq.m. for clubhouses, car parking spaces and other facilities) spreading across eleven development projects located in the prime areas of four major PRC cities, namely: Shanghai, Wuhan, Foshan and Chongqing. The leasable and saleable GFA attributable to the Group was 4.3 million sq.m.. Of the total leasable and saleable GFA of 6.7 million sq.m., approximately 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 2.7 million sq.m. was under development, and the remaining 2.5 million sq.m. was held for future development.

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Taxation decreased 41% to RMB1,310 million (2018: RMB2,229 million). The effective tax rate in 2019 was 34% (2018: 45%). PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction. The lower taxation amount in 2019 was mainly due to the lower profit before tax and reduction in deferred tax provision relating to the investment properties. As a result of the overall implementation of the Asset Light Strategy exercise in 2019, the Group has given a fresh consideration as to the most appropriate tax rates at which to measure deferred tax. The Group has used an expected value approach based on the weighted probabilities of all possible tax rates to determine overall measurement. This allows the financial statements to reflect the likely economic reality of disposal. The Group will reassess the measurement on an ongoing basis based on the available facts and ensure the adequacy of the related deferred tax provision on those temporary differences.

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

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

Core earnings of the Group are as follows:

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

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

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

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

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

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

Major Acquisition and Disposal

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

Details of transactions in 2019 are outlined below:

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

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

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

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

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

Liquidity, Capital Structure and Gearing Ratio

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

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

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

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

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

The structure of the Group's borrowings as of 31 December 2019 is summarised below:

	Total (in RMB equivalent)	**Due within one year**	**Due in more than one year but not exceeding two years**	**Due in more than two years but not exceeding five years**	**Due in more than five years**
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	13,119	1,105	3,432	5,001	3,581
Bank borrowings – HKD	4,841	1,176	1,301	2,364	-
Bank borrowings – USD	7,863	3,571	3,142	1,150	-
Senior notes – USD	9,162	-	7,076	2,086	-
Senior notes – RMB	2,237	-	2,237	-	-
Receipts under securitisation arrangements – RMB	519	7	10	50	452
Total	**37,741**	**5,859**	**17,198**	**10,651**	**4,033**

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

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

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

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

Pledged Assets

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

Capital and Other Development Related Commitments

As of 31 December 2019, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB2,252 million (31 December 2018: RMB3,501 million).

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

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

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes, perpetual capital securities and convertible perpetual capital securities denominated in USD issued from 2015 to 2019. Thus, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 31 December 2019, the Group has entered approximately USD1,260 million forward to hedge the USD currency risk against RMB and HKD800 million forward to hedge the HKD currency risk against RMB. In addition, from 1 January 2020 till today, the Group has further entered the capped forward contracts of USD355 million and the forward contracts of USD270 million and HKD300 million to hedge the USD and HKD currency risk against RMB.

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

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

Contingent Liabilities

The Group provided guarantees of RMB1,152 million at 31 December 2019 (31 December 2018: RMB1,398 million) to banks in favour of its customers in respect of mortgage loans provided by banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

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 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2019**		2018	
		HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Revenue					
- The Group	*4*	**11,805**	**10,392**	29,362	24,841
- Share of joint ventures		**860**	**757**	108	91
		12,665	**11,149**	29,470	24,932
Revenue of the Group	*4*	**11,805**	**10,392**	29,362	24,841
Cost of sales		**(5,770)**	**(5,079)**	(20,917)	(17,696)
Gross profit		**6,035**	**5,313**	8,445	7,145
Other income	*5*	**609**	**536**	493	417
Selling and marketing expenses		**(168)**	**(148)**	(300)	(254)
General and administrative expenses		**(942)**	**(829)**	(934)	(790)
Operating profit		**5,534**	**4,872**	7,704	6,518
Increase in fair value of investment properties		**291**	**256**	1,147	970
Gain on disposal of investment properties through disposal of subsidiaries		**-**	**-**	229	194
Other gains and losses	*5*	**(170)**	**(150)**	(1,327)	(1,123)
Share of gains of associates and joint ventures		**222**	**195**	72	61
Finance costs, inclusive of exchange differences	*6*	**(1,701)**	**(1,497)**	(1,871)	(1,583)
Reversal (provision) of impairment losses under expected credit loss model	*7*	**203**	**179**	(144)	(122)
Profit before taxation	*7*	**4,379**	**3,855**	5,810	4,915
Taxation	*8*	**(1,488)**	**(1,310)**	(2,635)	(2,229)
Profit for the year		**2,891**	**2,545**	3,175	2,686
Attributable to:					
Shareholders of the Company		**2,195**	**1,932**	2,253	1,906
Owners of perpetual capital securities		**305**	**269**	306	259
Owners of convertible perpetual capital securities		**132**	**116**	132	112
Non-controlling shareholders of subsidiaries		**259**	**228**	484	409
		696	**613**	922	780
		2,891	**2,545**	3,175	2,686
Earnings per share	*10*				
Basic		**HKD27.3 cents**	**RMB24.0 cents**	HKD28.0 cents	RMB23.7 cents
Diluted		**HKD26.7 cents**	**RMB23.5 cents**	HKD27.5 cents	RMB23.3 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2019		2018	
	HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Profit for the year	**2,891**	**2,545**	3,175	2,686
Other comprehensive income (expense)				
Items that may be subsequently reclassified to profit or loss:				
Exchange difference arising on translation of foreign operations	**(11)**	**(10)**	1	1
Fair value adjustments on currency forward contracts designated as cash flow hedges	**(134)**	**(118)**	514	435
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**125**	**110**	(595)	(504)
Share of other comprehensive (expense) income of a joint venture	**(42)**	**(37)**	26	22
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit obligations	**3**	**3**	(4)	(3)
Gain on revaluation of properties transferred from property, plant and equipment to investment properties, net of tax	**-**	**-**	5	4
Other comprehensive expense for the year	**(59)**	**(52)**	(53)	(45)
Total comprehensive income for the year	**2,832**	**2,493**	3,122	2,641
Total comprehensive income attributable to:				
Shareholders of the Company	**2,136**	**1,880**	2,200	1,861
Owners of perpetual capital securities	**305**	**269**	306	259
Owners of convertible perpetual capital securities	**132**	**116**	132	112
Non-controlling shareholders of subsidiaries	**259**	**228**	484	409
	696	**613**	922	780
	2,832	**2,493**	3,122	2,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2019 RMB'million**	31 December 2018 RMB'million
Non-current assets			
Investment properties		**51,913**	49,100
Interests in associates		**7,470**	4,998
Interests in joint ventures		**11,108**	10,682
Property, plant and equipment		**1,053**	1,080
Right-of-use asset		**96**	-
Accounts receivable, deposits and prepayments	*11*	**268**	1,349
Pledged bank deposits		**1,289**	1,796
Derivative financial instruments		**-**	243
Deferred tax assets		**922**	1,043
Other non-current assets		**17**	51
		74,136	70,342
Current assets			
Properties under development for sale		**17,855**	11,927
Properties held for sale		**973**	5,315
Accounts receivable, deposits and prepayments	*11*	**3,164**	3,115
Loans to/amounts due from associates		**778**	3,434
Loans to/amounts due from joint ventures		**45**	1,853
Amounts due from related companies		**416**	159
Contract assets		**53**	59
Pledged bank deposits		**-**	492
Bank balances and cash		**10,570**	13,104
Derivative financial instruments		**103**	221
Prepaid taxes		**323**	229
		34,280	39,908
Current liabilities			
Accounts payable, deposits received and accrued charges	*12*	**5,564**	10,360
Contract liabilities		**3,127**	5,659
Bank borrowings - due within one year		**5,852**	12,782
Senior notes		**-**	1,722
Receipts under securitisation arrangements		**7**	5
Tax liabilities		**3,575**	3,196
Loans from/amounts due to non-controlling shareholders of subsidiaries		**1,784**	1,718
Amount due to an associate		**453**	383
Amount due to a joint venture		**-**	384
Amounts due to related companies		**331**	15
Liability arising from a rental guarantee arrangement		**174**	169
Lease liabilities		**29**	-
		20,896	36,393
Net current assets		**13,384**	3,515
Total assets less current liabilities		**87,520**	73,857

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Notes	**31 December 2019 RMB'million**	31 December 2018 RMB'million
Non-current liabilities			
Bank borrowings - due after one year		**19,971**	13,539
Senior notes		**11,399**	5,702
Receipts under securitisation arrangements		**512**	519
Liability arising from a rental guarantee arrangement		**208**	380
Deferred tax liabilities		**6,031**	6,490
Lease liabilities		**86**	-
Defined benefit liabilities		**6**	8
		38,213	26,638
Capital and reserves			
Share capital	*13*	**146**	146
Reserves		**39,930**	38,901
Equity attributable to shareholders of the Company		**40,076**	39,047
Convertible perpetual capital securities		**1,345**	1,345
Perpetual capital securities		**4,056**	4,055
Non-controlling shareholders of subsidiaries		**3,830**	2,772
		9,231	8,172
Total equity		**49,307**	47,219
Total equity and non-current liabilities		**87,520**	73,857

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 HKD1.136 for 2019 and RMB1.000 to HKD1.182 for 2018, 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 issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

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

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

3.1 IFRS 16 Leases

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

Definition of a lease

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

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

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 16 Leases - continued

As a lessee

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

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

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

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

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

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 16 Leases - continued

As a lessee - continued

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

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

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

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 16 Leases - continued

As a lessor

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

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

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

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

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

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

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

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 Impacts on each financial statement line item arising from the application of IFRS 16 **-** continued

Note:

(a) In relation to the lease of a property that the Group acts as lessee that meets the definition of investment property in IAS 40, the investment property is initially measured at right-of-use assets cost amounted to RMB73 million, which are presented within "investment properties" as at 1 January 2019.

(b) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments and included as other non-current assets as at 31 December 2018. Upon application of IFRS 16, the prepaid lease payments amounting to RMB31 million were reclassified to right-of-use assets.

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

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

New and amendments to IFRSs in issue but not yet effective

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

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

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

3. Application of New and Amendments to IFRSs-continued

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

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

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

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

The New Framework:

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

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

4. Revenue and Segmental Information

A. Disaggregation of revenue from contracts with customers

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

4. Revenue and Segmental Information - continued

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

For the year ended 31 December 2019

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

Note:

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

4. Revenue and Segmental Information - continued

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

For the year ended 31 December 2018

	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
	24,841	91	24,932

4. Revenue and Segmental Information - continued

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

4. Revenue and Segmental Information - continued

For the year ended 31 December 2019

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External revenue of the Group	**7,262**	**2,345**	**538**	**10,145**	**247**	**10,392**
Share of revenue of joint ventures	**659**	**89**	**-**	**748**	**9**	**757**
Total segment revenue	**7,921**	**2,434**	**538**	**10,893**	**256**	**11,149**
SEGMENT RESULTS						
Segment results of the Group	**3,341**	**1,521**	**3**	**4,865**	**59**	**4,924**
Interest income						**488**
Share of gains of associates and joint ventures						**195**
Finance costs, inclusive of exchange differences						**(1,497)**
Other gains and losses						**(150)**
Reversal of impairment losses under expected credit loss model						**179**
Unallocated income						**48**
Unallocated expenses						**(332)**
Profit before taxation						**3,855**
Taxation						**(1,310)**
Profit for the year						**2,545**

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						(1,583)
Other gains and losses						(1,024)
Provision of impairment losses under expected credit loss model						(122)
Unallocated income						15
Unallocated expenses						(349)
Profit before taxation						4,915
Taxation						(2,229)
Profit for the year						2,686

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

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, directors' salaries, interest income, share of gains of associates and joint ventures, other gains and losses except for decrease in fair value of call option to buy back an investment property, reversal (provision) of impairment losses under expected credit loss model, finance costs inclusive of exchange differences and other unallocated income/expense. This is the measure reported for resource allocation and performance assessment.

5. Other Income, Other Gains and Losses

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

Note:

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

6. .Finance Costs, Inclusive of Exchange Differences

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

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

7. Profit Before Taxation

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

8. Taxation

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

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

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

The PRC EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, and at rate of 10% (5% if obtained the Hong Kong residents) for companies incorporated in BVI and Republic of Mauritius ("Mauritius"), which are the beneficial owners of the dividend received. As at 31 December 2019 and 31 December 2018, deferred tax was provided for in respect of the temporary differences attributable to such profits, except to the extent that the Group is able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences would not be reversed in the foreseeable future.

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

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

9. Dividends

	2019	2018
	RMB'million	RMB'million
Dividends recognised as distribution during the year:		
Interim dividend paid in respect of 2019 of HKD0.036 per share (2018: interim dividend paid in respect of 2018 of HKD0.036 per share)	**263**	253
Final dividend paid in respect of 2018 of HKD0.084 per share (2018: final dividend paid in respect of 2017 of HKD0.07 per share)	**595**	461
	858	714

A final dividend for the year ended 31 December 2019 of HKD0.084 (equivalent to RMB0.075 translated using the exchange rate of 0.89578 as at 31 December 2019) per share, amounting to HKD677 million (equivalent to RMB607 million translated using the exchange rate of 0.89578 as at 31 December 2019) in aggregate, was proposed by the Directors of the Company on 30 March 2020 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

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	**2019 RMB'million**	2018 RMB'million
Earnings for the purpose of basic earnings per share, being profit for the year attributable to shareholders of the Company	**1,932**	1,906
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities	**116**	112
Earnings for the purpose of diluted earnings per share	**2,048**	2,018

Number of shares	**2019 'million**	2018 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share(*note (a)*)	**8,044**	8,043
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities	**676**	632
Outstanding share awards	**-**	1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,720**	8,676

Basic earnings per share (*note (b)*)	**RMB24.0cents** **HKD27.3cents**	RMB23.7cents HKD28.0cents
Diluted earnings per share(*note (b)*)	**RMB23.5cents** **HKD26.7cents**	RMB23.3cents HKD27.5cents

Notes:

(a) The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 17,710,250 (2018: 19,076,778) shares held by a share award scheme trust.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.0000 to HKD1.136 for 2019 and RMB1.000 to HKD1.182 for 2018, being the average exchange rates that prevailed during the respective years.

(c) There were no dilution effects from outstanding share options as the exercise prices of each of these share options were higher than the average market price of the Company's shares per share for the years ended 31 December 2019 and 2018, as appropriate.

11. Accounts Receivable, Deposits and Prepayments

	2019 **RMB'million**	2018 RMB'million
Non-current assets comprise:		
Rental receivables in respect of rent-free periods	**206**	250
Trade receivables		
- goods and services	**62**	57
Deposits paid on investment in an associate	**-**	1,041
Other receivables	**-**	1
	268	1,349
Current assets comprise:		
Rental receivable in respect of rent-free periods	**130**	106
Trade receivables		
- goods and services	**50**	68
- operating lease receivables	**24**	29
Prepayments of relocation costs (*note*)	**933**	347
Receivables from disposal of associates	**315**	1,735
Receivables from disposal of subsidiaries	**1,048**	447
Other deposits, prepayments and receivables	**664**	383
	3,164	3,115

Note:

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

Trade receivables comprise:

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

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

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

As at 31 December 2019 and 31 December 2018, trade receivables from contracts with customers amounted to RMB112 million and RMB125 million respectively.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB136 million (2018: RMB154 million), of which 42% (2018: 52%) are past due less than 90 days, and 58% (2018: 48%) are past due over 90 days, as compared to when revenue was recognised.

Out of the past due balances, RMB79 million (2018: RMB74 million) has been past due 90 days or more and is not considered as in default since the directors of the Group consider that such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customers, thus there is no indicators of default risk from the debtors.

12. Accounts Payable, Deposits Received and Accrued Charges

	2019 **RMB'million**	2018 RMB'million
Current portion comprise:		
Trade payables	**1,349**	1,980
Relocation cost payables	**1,700**	2,681
Retention payables (*note(a)*)	**253**	281
Deed tax and other tax payables	**168**	185
Deposits received and receipt in advance in respect of rental of investment properties	**791**	765
Value-added tax payable	**51**	7
Other payables and accrued charges	**1,252**	1,055
Payables for acquisition of the remaining interest in subsidiaries *(note (b))*	**-**	3,406
	5,564	10,360

Notes:

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

(b) On 28 December 2018, China Xintiandi Limited (a wholly-owned subsidiary of the Company) entered into an agreement with BSREP CXTD Holdings L.P. ("BSREP CXTD") to acquire all the interest held by BSREP CXTD in China Xintiandi Holding Company Limited ("China Xintiandi"), comprising approximately 21.894% of all the issued shares in the capital of China Xintiandi and the outstanding convertible perpetual securities in the principal amount of USD100,000 (the "Sale CPS")(the "Brookfield Transaction"). The total consideration was paid in March 2019.

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB1,349 million (2018: RMB1,980 million), of which 84% (2018: 88%) are aged less than 30 days, 1% (2018: 1%) are aged between 31 to 60 days, and 15% (2018: 11%) are aged more than 90 days, based on invoice date.

13. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	USD'000	Number of shares	USD'000
Ordinary shares of USD0.0025 each				
At 1 January 2018	12,000,000,000	30,000	8,061,304,524	20,153
Exercise of share options	-	-	911,800	2
At 31 December 2018 and 31 December 2019	12,000,000,000	30,000	8,062,216,324	20,155

	2019	2018
	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. Event After the Reporting Period

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

On 3 March 2020, Shui On Development (Holding) Limited ("SODH") issued USD490 million senior notes with a maturity of five years due on 3 March 2025 (the "New Notes"), bearing coupon at 5.5% per annum, payable semi-annually in arrears. Meanwhile, pursuant to the exchange and tender offer, an aggregate principal amount of USD90 million of the New Notes and an aggregate cash consideration of USD313 million were paid by SODH to eligible holders of certain senior notes issued in prior years.

MARKET OUTLOOK

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

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

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

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

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

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

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

Wuhan recorded strong economic growth of 7.8% in 2019, helped by an aggressive programme to increase the city's competitiveness through retention of talent. There has been notable progress in urban infrastructure up-grading through construction of metro lines to improve urban connectivity, an important step to fulfil the development vision of becoming a "Global City". However, Wuhan's economy will inevitably suffer a setback this year as it is the epicentre of the coronavirus outbreak.

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

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

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

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 2019 (2018: HKD0.084), amounting to approximately RMB607 million (2018: RMB595 million) in aggregate. Subject to shareholders' approval of the final dividend at the forthcoming annual general meeting to be held on 27 May 2020 ("AGM"), the final dividend is expected to be paid on or about 19 June 2020 to shareholders whose names appear on the register of members of the Company on 5 June 2020, 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 5 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 15 May 2020 to Wednesday, 27 May 2020 (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 Thursday, 14 May 2020 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 Thursday, 14 May 2020.

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

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

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

CORPORATE GOVERNANCE

The Company is committed to 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 2019, 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 2019 Annual Report.

The Audit and Risk Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2019, 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 2019.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2019, the number of employees in the Group was 3,237 (31 December 2018: 3,129); which included the headcount of the property management business at 1,635 (31 December 2018: 1,566), the headcount of the construction and fitting out business at 211 (31 December 2018: 248). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, long term incentive 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 2019, 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

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

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

Hong Kong, 30 March 2020

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 Chief Investment 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, 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*